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1386  
HOUSE OF COMMONS

First Session—Twenty-fifth Parliament  
1962

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STANDING COMMITTEE  
ON  
**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* W. MARVIN HOWE, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1-5

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TUESDAY, NOVEMBER 13, 1962 - Dec. 17

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Respecting

Bill S-4, An Act respecting Canadian Pacific Railway Company.

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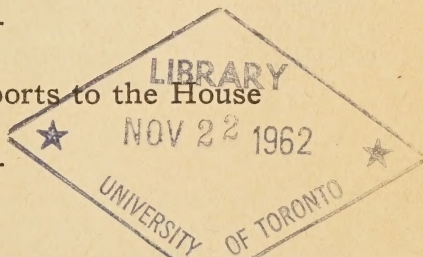
Including First and Second Reports to the House

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WITNESSES:

Mr. J. N. Ormiston, M.P., Sponsor; Mr. J. M. Roberts, Vice President, Traffic, C.P.R.; Mr. C. A. Colpitts, Chief Engineer, C.P.R.; Mr. Walter B. Knorst, Assistant Director of Transportation, International Minerals and Chemical Corporation; Mr. Gregory J. Gorman, Parliamentary Agent; Dr. M. P. Ollivier, Q.C., L.L.D., Parliamentary Counsel.

ROGER DUHAMEL, F.R.S.C.  
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STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* W. Marvin Howe, Esq.

*Vice-Chairman:* Marcel Bourbonnais, Esq.

and Messrs.

Addison,	Grills,	Nugent,
Argue,	Gundlock,	Ormiston,
Badanai,	Hodgson,	Pascoe,
Baskin,	Horner ( <i>Acadia</i> ),	Phillips,
Beaulé,	Howe,	Rideout,
Bélanger,	Lamoureux,	Robichaud,
Bell ( <i>Saint John-Albert</i> ),	Leboe,	Rock,
Benidickson,	Legaré,	Ryan,
Bourbonnais,	Lewis,	Rynard,
Bradley,	MacEachen,	Sams,
Byrne,	MacEwan,	Sauvé,
Cameron ( <i>Nanaimo-Cowichan-The Islands</i> ),	Mackasey,	Smith ( <i>Calgary South</i> ),
Chevrier,	Maltais,	Smith ( <i>Simcoe North</i> ),
Cook,	Marcoux,	Stenson,
Crouse,	McCleave,	Teillet,
Dupuis,	McDonald ( <i>Hamilton South</i> ),	Tucker,
Fisher,	McMillan,	Turner,
Garland,	McPhillips,	Valade,
Gauthier,	Mitchell,	Webb,
Granger,	Nielsen,	Winch—60.

Dorothy F. Ballantine,  
*Clerk of the Committee.*

## ORDERS OF REFERENCE

TUESDAY, October 23, 1962.

*Ordered*,—That Bill S-4, An Act respecting Canadian Pacific Railway Company, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

OCTOBER 26, 1962.

*Resolved*,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs.

Addison,	Grills,	Nielsen,
Argue,	Gundlock,	Nugent,
Badanai,	Hodgson,	Pascoe,
Baskin,	Horner ( <i>Acadia</i> ),	Phillips,
Beaule,	Howe,	Rideout,
Belanger,	Kennedy,	Robichaud,
Bell ( <i>Saint John-Albert</i> ),	Lamoureux,	Rock,
Benidickson,	Leboe,	Ryan,
Bourbonnais,	Legare,	Rynard,
Bradley,	Lewis,	Sams,
Byrne,	MacEachen,	Sauve,
Cameron ( <i>Nanaimo-</i>	MacEwan,	Smith ( <i>Calgary South</i> ),
<i>Cowichan-The Islands</i> ),	Mackasey,	Smith ( <i>Simcoe North</i> ),
Chevrier,	Maltais,	Stenson,
Cook,	Marcoux,	Teillet,
Crouse,	McCleave,	Tucker,
Dupuis,	McDonald ( <i>Hamilton</i>	Turner,
Fisher,	<i>South</i> ),	Valade,
Garland,	McMillan,	Webb,
Gauthier,	McPhillips,	Winch—60.
Granger,	Mitchell,	

(Quorum 20)

*Ordered*,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

THURSDAY, November 8, 1962.

*Ordered*,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to print from day to day 750 copies in English and 300 copies in French of its Minutes of Proceedings and Evidence, and that



Standing Order 66 be suspended in relation thereto; and that its quorum be reduced from 20 to 15 Members, and that Standing Order 65(1)(b) be suspended in relation thereto.

*Ordered*,—That the name of Mr. Ormiston be substituted for that of Mr. Kennedy on the said Committee.

Attest.

LÉON-J. RAYMOND,  
*Clerk of the House.*



## REPORTS TO THE HOUSE

THURSDAY, November 8, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### FIRST REPORT

Your Committee recommends:

1. That it be empowered to print from day to day 750 copies in English and 300 copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 66 be suspended in relation thereto;
2. That its quorum be reduced from 20 to 15 members and that Standing Order 65(1)(b) be suspended in relation thereto.

Respectfully submitted,

W. M. HOWE,  
*Chairman.*

*Concurred in this day.*

WEDNESDAY, November 14, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### SECOND REPORT

Your Committee has considered Bill S-4, An Act respecting Canadian Pacific Railway Company, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issue No. 1) is appended.

Respectfully submitted,

W. M. HOWE,  
*Chairman.*



## MINUTES OF PROCEEDINGS

THURSDAY, November 8, 1962.

(1)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.00 a.m. this day for organization purposes.

*Members present:* Messrs. Badanai, Beaule, Belanger, Bell (*Saint John-Albert*), Bradley, Byrne, Cameron (*Nanaimo-Cowichan-The Islands*), Chevrier, Cook, Crouse, Granger, Grills, Gundlock, Horner (*Acadia*), Howe, Legare (*Rimouski*), Lewis, Mackasey, Marcoux, McCleave, McDonald, McMillan, McPhillips, Nielsen, Pascoe, Rideout, Rock, Sams, Smith (*Calgary South*), Smith (*Simcoe North*), Stenson, Teillet, Tucker, Turner, Webb. (35).

The Clerk attending and having called for nominations, Mr. Smith (*Simcoe North*) moved, seconded by Mr. Gundlock, that Mr. Howe do take the Chair of this Committee as Chairman.

There being no further nominations, Mr. Howe was declared duly elected as Chairman.

The Chairman thanked the Committee for the honour conferred on him and referred to the Committee's Orders of Reference.

On motion of Mr. Crouse, seconded by Mr. McDonald (*Hamilton South*),

*Resolved*,—That Mr. Bourbonnais be Vice-Chairman of the Committee.

On motion of Mr. McDonald (*Hamilton South*), seconded by Mr. McPhillips,

*Resolved*,—That the Committee recommend to the House that it be empowered to print from day to day 750 copies in English and 300 copies in French of its Minutes of Proceedings and Evidence.

On motion of Mr. Cameron, seconded by Mr. Smith (*Calgary South*),

*Resolved*,—That the Committee request that its quorum be reduced from 20 to 15 members.

The Chairman announced that the first order of business for the Committee is consideration of Bill S-4, an Act respecting Canadian Pacific Railway Company.

At 10.15 a.m., the Committee adjourned to the call of the Chair.

TUESDAY, November 13, 1962.

(2)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

*Members present:* Messrs. Argue, Badanai, Belanger, Bradley, Bell (*Saint John-Albert*), Crouse, Fisher, Gauthier, Grills, Gundlock, Howe, Lamoureux, Lewis, MacEwan, McCleave, McMillan, McPhillips, Marcoux, Nielsen, Ormiston, Pascoe, Rideout, Ryan, Rynard, Sams, Smith (*Calgary South*), Smith (*Simcoe North*), Stenson, Teillet, Tucker, Turner, Webb. (32).



*In attendance:* Mr. Gregory J. Gorman, Parliamentary Agent; Mr. Walter B. Knorst, Assistant Director of Transportation, International Minerals and Chemical Corporation; Dr. P. M. Ollivier, D.C., L.L.D., Parliamentary Counsel; *From the Canadian Pacific Railway:* Mr. J. M. Roberts, Vice-President, Traffic; Mr. C. A. Colpitts, Chief Engineer; Mr. C. K. Holden, Assistant Regional Engineer; Mr. E. E. Merlin, Assistant Chief of Transportation; Mr. J. E. Paradis, Q.C., Solicitor.

On motion of Mr. Argue, seconded by Mr. Sams,

*Resolved*,—That the Committee cause to be printed the Minutes of Proceedings and Evidence concerning Bill S-4.

The Committee proceeded to the consideration of Bill S-4, An Act respecting Canadian Pacific Railway Company.

A brochure issued by International Minerals and Chemical Corporation and a map indicating the approximate location of the branch line were distributed to members, copies being filed with the Clerk of the Committee.

The Chairman called upon the Parliamentary Agent, Mr. Gorman, who explained the purpose of the bill and introduced Messrs. Colpitts, Roberts and Knorst.

Mr. Colpitts made a brief statement concerning the proposed route of the branch line, the terrain through which it will travel, and the estimated cost of construction. He was then questioned by the members.

Mr. Roberts was questioned concerning rates, volume of tonnage, competitive rates, and other matters.

Mr. Knorst made a brief statement and was questioned by the members.

There was lengthy discussion concerning the propriety of requiring the Canadian Pacific Railway and the International Minerals and Chemical Corporation to disclose to the Committee the provisions in the agreement between the two companies. Dr. Ollivier was invited to give his views on this matter.

After further discussion thereon, Mr. Lewis moved, seconded by Mr. Fisher, that the appropriate witnesses of the Canadian Pacific Railway and/or the International Minerals and Chemical Corporation be required to inform the committee fully as to the provisions in the agreement between the two companies concerning any guarantee or undertaking by the Minerals Corporation to ship a certain minimum amount within a certain period via the C.P.R.

And the question having been put on the proposed motion of Mr. Lewis, it was, on a show of hands, resolved in the negative on the following division: Yeas, 7; Nays, 21.

Following a discussion on the necessity for further questioning of witnesses, Mr. Argue, seconded by Mr. Fisher, moved that the Committee now adjourn.

And the question having been put on the proposed motion of Mr. Argue, it was resolved in the negative on the following division: Yeas, 7; Nays, 20.

After further discussion, it was moved by Mr. Argue, seconded by Mr. Lamoureux, that the Canadian National Railways be invited to appear before this Committee.

And the Question having been put on the proposed motion of Mr. Argue, it was, on a show of hands, resolved in the negative on the following division: Yeas, 8; Nays, 16.

The Preamble, Clauses 1 and 2, the Title and the Bill were severally approved and the Chairman instructed to report the Bill without amendment.

At 12.45 p.m. the Committee adjourned to the call of the Chair.

Dorothy F. Ballantine,  
*Clerk of the Committee.*

## EVIDENCE

TUESDAY, November 13, 1962.

The CHAIRMAN: I shall ask the clerk to read the order of reference.

The CLERK OF THE COMMITTEE:

*Ordered.* That Bill S-4, An act respecting Canadian Pacific Railway Company, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

The CHAIRMAN: I shall now call the preamble and then ask Mr. Gorman, the parliamentary agent, to explain the bill and introduce the witnesses.

I would now like to introduce to you Mr. Gregory J. Gorman, who is parliamentary agent in connection with this bill.

Mr. GREGORY J. GORMAN (*Parliamentary Agent*): Mr. Chairman and hon. members, the purpose of the bill which is before you is to enable the Canadian Pacific Railway Company to construct a line of railway off its Bredenbury subdivision in the vicinity of Esterhazy, Saskatchewan. The length of the line will be approximately 15½ miles, and its purpose will be to serve the mine and plant which have been established in that area by the International Minerals and Chemical Corporation, for the production of potash.

It is necessary for the company to come to parliament to seek authority to construct the line because it exceeds the length of six miles, and under the provision of section 183 of the Railway Act, authority in these circumstances must be requested.

With the permission of your chairman we have distributed a number of copies of a brochure which was produced by the International Minerals and Chemical Corporation, and which explains in a graphic sort of way the operations of the mine and the plant, as well as some of the difficulties which were encountered in bringing the mine into operation.

I think you have there some of the evidence as to the nature and extent of this operation, and you will agree that it is a tremendous achievement.

Among the witnesses today we have Mr. Walter B. Knorst, representing the producing company; and that company is supporting the railway in its application to parliament, because they feel they need this service.

I think, Mr. Chairman, that is all I need to say now other than to point out that the sponsor of the bill in the House of Commons is Mr. James Ormiston, in whose constituency the construction is taking place, and where the line is located.

I now call on Mr. C. A. Colpitts, chief engineer of the Canadian Pacific, to explain the general location and construction of the line.

The CHAIRMAN: Mr. Colpitts, will you please come forward and explain this to us?

Mr. C. A. COLPITTS (*Chief Engineer, C.P.R.*): Mr. Chairman, honourable members: The line of railway which it is proposed to construct to serve the plant of the International Minerals and Chemical Corporation, is indicated on the plan before you. You will note that the plant is located in the south-east quarter of section 24, township 20, range 33, west of the principal meridian. The proposed line extends southerly from the town of Bredenbury in a generally southerly direction. It originates at the east end of Bredenbury

railway yards in the southeast quarter section 35, township 22, range 1, west of the second meridian and extends almost due south for the first six miles running along the quarter section line to the crossing of Cut Arm Creek. From this point, the line runs in a southeasterly direction near a Saskatchewan Power Corporation transmission line which approximately parallels Cut Arm Creek for a distance of nine and a half miles where it will connect onto the northerly limits of the plant trackage for a total distance of 15.5 miles.

It will be necessary to construct approximately 1.5 miles of sidings just north of the plant for switching purposes.

For the first six miles south of Bredenbury, the railway line crosses flat to slightly rolling land of which approximately 60 per cent is cultivated, 20 per cent bush and scrub, and the balance pasture land. The bush consists of poplar and willow trees. The top soil is a light sandy loam containing some boulders and underlaid by small sand and gravel deposits. In the first six miles, no major water courses are crossed. The next two miles constitute the crossing of Cut Arm Creek and its valley. The creek at the location of the crossing is in a valley approximately 60 feet in depth and 1,000 feet wide. The valley bottom is muskeg over fine sand and gravel deposits. In order to cross the valley, a tributary ravine is used. A wooden pile trestle, approximately 135 feet long and 35 feet high, will be constructed at this crossing. The remainder of the trackage—7.5 miles—again crosses slightly rolling land which is 85 per cent under cultivation with the remaining 15 per cent being poplar and willow bush. The top soil is heavier than that found on the north side of the creek.

We estimate the cost of the proposed line to be \$680,000, and a local contractor has been selected to do the grading, utilizing a labour force of approximately 40 men. Company employees are being used for the construction of the trackage. Bredenbury, Saskatchewan, the northerly point on the line, is located 253 miles northwest of Winnipeg on the company's Winnipeg-Saskatoon-Edmonton line. It is 227 miles southeast of Saskatoon. Bredenbury is a division point and a staff is available 24 hours a day for cleaning cars. Sufficient yard trackage is available for the handling of cars destined to and from the plant. There is a daily freight service to Bredenbury.

The CHAIRMAN: That is Mr. Colpitt's statement. Does the committee wish to question Mr. Colpitts at this time?

Mr. McMILLAN: May I ask if the Canadian National Railways are located in that area as well?

Mr. COLPITTS: Yes sir.

Mr. McMILLAN: And they go right into the mine?

Mr. COLPITTS: Yes sir.

Mr. ARGUE: Would you please explain what kind of line it is to connect with? Where does it come from, and where does it go to?

Mr. COLPITTS: The line we are constructing starts at the plant.

Mr. ARGUE: No, I am afraid you misunderstand me. I mean what is the line to be connected to? You are going to connect with something?

Mr. COLPITTS: That is the line from Winnipeg to Edmonton through Bredenbury, Saskatoon, and Yorkton.

Mr. ARGUE: And Portage la Prairie?

Mr. COLPITTS: Yes; it extends on to the main line.

Mr. ARGUE: It is one of the branch lines of the Canadian Pacific Railway?

Mr. BELL (*Saint John-Albert*): It is all on the map, Mr. Argue.



Mr. GORMAN: I might say that the evidence of Mr. Roberts, who is vice president for traffic of the Canadian Pacific Railway will cover, I think, the points which are raised by Mr. Argue. In fact I intended to call Mr. Roberts as my next witness if that were agreeable to you.

Mr. ARGUE: I do not mind holding my questions on that until later. The witness said that agreements for sale have been entered into also for the purchase of the right of way. Has any construction been done?

Mr. COLPITTS: Yes, we have graded the land which we have purchased.

Mr. ARGUE: Have you any idea how much work has been done, or as to the extent of the work that has been done?

Mr. COLPITTS: Yes. The grading is being carried on as far as the International Minerals and Chemical plant, and it has been ballasted as well.

Mr. ARGUE: For what distance?

Mr. COLPITTS: For  $15\frac{1}{2}$  miles.

Mr. ARGUE: Without authority from parliament to do it?

Mr. COLPITTS: We have not connected at the plant. We purchased the property, and in view of the lateness of the season, and realizing that we would have to come to parliament anyway, we carried on the grading and other work on the property which we purchased.

Mr. ARGUE: When was the first agreement for the purchase of the right of way entered into?

Mr. COLPITTS: During August and September I understand.

Mr. ARGUE: This fall?

Mr. COLPITTS: Yes.

Mr. ARGUE: And all the work has been done since that time?

Mr. COLPITTS: Yes.

Mr. PASCOE: Mr. Chairman, Mr. Colpitts mentioned that the work of grading was being done by a local contractor. From what area would he be?

Mr. COLPITTS: From the Bredenburg area. Actually it is from the town, or station to the east, Foxwarren.

Mr. MACEWEN: I take it you intend to call Mr. Roberts to establish the reason why there should be the addition of the C.P.R. line along with the C.N.R. line which is there now?

The CHAIRMAN: Yes. Are there any further questions?

Mr. LAMOUREUX: The witness said that agreements for sale have been entered into with owners. Are those just agreements for sale or have there actually been purchases?

Mr. COLPITTS: Agreements for sale. It is, of course, necessary to complete those and have the proper registrations made of the deeds.

Mr. LAMOUREUX: You would obtain deeds and register them at a later date.

Mr. COLPITTS: Yes.

Mr. ORMISTON: I would like to ask if there has been any adjustment made in respect of the buying price of this land at a later date other than the first arrangement that was made?

Mr. COLPITTS: That is under discussion with the farmers concerned. I expect an adjustment will be made. It has not as yet been made.

Mr. ORMISTON: You expect some adjustment will be made?

Mr. COLPITTS: Yes.

Mr. ARGUE: In order to give us some idea of what is being paid for the land, would you tell us what formula you use or how you arrive at it? Are these individual deals or are they based on the assessment of the land, or how is it done?

Mr. COLPITTS: I understand it is about \$150 per acre.

Mr. ARGUE: Pardon?

Mr. COLPITTS: About \$150 an acre.

Mr. ARGUE: Could you give the committee information as to the cheapest piece of land you have bought in this whole venture?

Mr. COLPITTS: I understand that is about it. The \$150 an acre is about the minimum.

Mr. ARGUE: That is the smallest?

Mr. COLPITTS: Yes.

Mr. RYAN: Is this operation at complete production at the moment and who is looking after it?

Mr. COLPITTS: It has started into production and is now being serviced by the Canadian National.

Mr. NIELSEN: Will this witness be the one to ask whether the International Minerals and Chemical Corporation is participating financially in the cost of the construction of this line?

Mr. SMITH (*Simcoe North*): I think we might recognize that Mr. Colpitts is an engineer and the sooner we hear Mr. Roberts the more meaningful will our questioning become.

The CHAIRMAN: Very well. If that is all you feel you wish to ask Mr. Colpitts, we will hear Mr. Roberts.

Mr. GORMAN: In answer to the last question, I think I can clear up that point by saying that the whole cost of construction is being paid by the Canadian Pacific and that the producing company is not participating in the cost of the construction.

Mr. NIELSEN: What is the estimate of the cost?

Mr. COLPITTS: \$680,000.

The CHAIRMAN: We will now hear Mr. J. M. Roberts, vice president of traffic for the C.P.R. Do you have any statement?

Mr. J. M. ROBERTS (*Vice President, Traffic, Canadian Pacific Railway Company*): Mr. Chairman and hon. members, I do not have any statement, but I will endeavour to answer to the best of my ability any questions which you might have.

Mr. SMITH (*Simcoe North*): It seems that the C.N.R. goes directly through this particular mining area. Why is it felt necessary that the C.P.R. should tap the same source of shipments?

Mr. ROBERTS: For the reason that the mining company itself in its experience—the type of business it is in—feels that it should have available to move its products to market every available bit of transportation there is.

Mr. SMITH (*Simcoe North*): Is there any estimate as to how many cars per week it will be shipping from this area?

Mr. ROBERTS: The output of the mine which has not been reached as yet is in the neighbourhood of 3,000 tons which would be roughly 60 cars.

Mr. SMITH (*Simcoe North*): A week?

Mr. ROBERTS: Per day.

Mr. SMITH (*Simcoe North*): Sixty cars per day?

Mr. ROBERTS: Yes.

Mr. SMITH (*Calgary South*): Might I ask if at this stage you have reached an agreement on charges?

Mr. ROBERTS: The rates are already published from Yarbo and the same rates would be made available for movement over the Canadian Pacific Railway.

Mr. SMITH (*Simcoe North*): The same rates as the C.N.R.?

Mr. ROBERTS: Yes, competitive.

Mr. LEWIS: Did Mr. Roberts discuss this with his counterpart in the other railroad?

Mr. ROBERTS: The Canadian National Railways are aware of our undertaking in conjunction with International Minerals.

Mr. LEWIS: That is not an answer. Did you discuss this with anyone in the C.N.R.?

Mr. ROBERTS: In what way?

Mr. LEWIS: I have no doubt they are aware of it, but did you discuss it?

Mr. ROBERTS: In what respect?

Mr. LEWIS: Did you see anyone in the Canadian National Railways and discuss with him whether there was likely to be sufficient business for both railways to handle efficiently?

Mr. ROBERTS: No sir. I have not discussed it with the Canadian National Railways. The output of the mine is such, in our estimation, as to justify both lines of railway in there.

Mr. LEWIS: Would you be able to tell me whether anyone informed you as to what the C.N.R. feels about this proposal?

Mr. ROBERTS: I believe that if the shoe was on the other foot, the Canadian National Railways would like to see themselves, as the only ones serving the area, but at the same time the people who are producing the potash realize from their experience that they have to have all available transportation there is in case of derailments, wash-outs, and stoppages of work which could happen.

Mr. RYAN: Sixty cars a day is not a large volume for one railway.

Mr. ROBERTS: It is quite a volume from one area.

Mr. ARGUE: The C.P.R. handles all their traffic on one line where they used to have a double track. On the prairie the C.P.R. is pulling up a lot of its double trackage on the main line. Both railways are roughly of the same size and it might be possible for one railway to handle the output of a line as important as this will be.

Mr. ROBERTS: With respect, there are these other factors to take into consideration. There is the fact that you can have a stoppage of work and you can have a derailment which would tie up the railway, or you could have such things as wash-outs.

Mr. ARGUE: That would apply to the main line of the C.P.R. as well.

Mr. ROBERTS: It applies to all railways, Mr. Argue.

Mr. ARGUE: But you are still taking up one of the two tracks.

Mr. ROBERTS: We are taking up one of the two tracks. You must understand that I am not an engineer. I might say that at the present time we are modernizing it by putting in C.T.C. and through that medium we will be able to handle the traffic economically and expeditiously.

Mr. ARGUE: As this sort of thing would result in all branch line removal on the prairies, and in view of the great controversy this is causing, I am sure you can assure the committee that the line you are connecting to is not going to be one of these branch lines, and—



Mr. ROBERTS: If I might interrupt, Mr. Argue, this branch line connects at Bredenbury with our section of the main line which runs, as you are well aware, from Portage La Prairie through Yorktown and Saskatoon.

Mr. ARGUE: You mean you are going to keep that one?

Mr. ROBERTS: Yes.

The CHAIRMAN: Mr. Pascoe is next.

Mr. PASCOE: I understood you to say, Mr. Roberts, that the company is interested in all forms of transportation; does this include trucking as well, or do you require special cars for shipping?

Mr. ROBERTS: Due to the nature of the product and the available markets, it does not lend itself to trucking. Primarily, the markets will be in eastern Canada, the eastern United States and, at the present time, through British Columbia coastal ports for export. Long hauls are involved and it is primarily a rail movement.

Mr. LEWIS: What type of car do you use for shipment?

The CHAIRMAN: Just a moment, Mr. Lewis; Mr. Ormiston is next.

Mr. ORMISTON: Is it not true that the loading of potash in box cars is more expensive than in other types of cars, and does it not take more time?

Mr. ROBERTS: That would be so. As I understand it, the use of the covered hopper cars is growing because it is more economical both to the shipper and to the receiver.

Mr. ORMISTON: Is it not a fact that the C.P.R. and the C.N.R. are unable to supply as many hopper cars as are needed?

Mr. ROBERTS: I think that question could be answered best in this way: International Minerals and Chemical Corporation (Canada) Limited are intending to bring up equipment of their own to supplement the equipment which the C.P.R. hopes to be in a position to supply and the C.N.R. are supplying.

Mr. ORMISTON: Would it be possible for the railways to acquire hopper cars from some of these private lines in the United States, since potash will be shipped there?

Mr. ROBERTS: No. It is the responsibility of the originating carrier to supply the equipment.

The CHAIRMAN: Would you proceed now, Mr. Lewis.

Mr. LEWIS: Why is it not possible to rent these cars?

Mr. ROBERTS: I do not know that—

Mr. LEWIS: Of course you do; you could rent them from the C.N.R. or any other railway.

Mr. ROBERTS: If they had them.

The CHAIRMAN: If I might interrupt, I would ask you to direct your questions through the Chair so that we will have some order in this.

Mr. LEWIS: It is my contention that the C.N.R. could rent equipment from you if they needed it.

Mr. ROBERTS: It has been done on occasion, Mr. Lewis.

Mr. LEWIS: Then this is hardly a reason for building a new line.

Mr. ROBERTS: For us?

Mr. LEWIS: The fact that both railways have some hopper cars and one may not have all that are needed is hardly a justification for this.

Mr. ROBERTS: That is a reason; but, primarily, sir, I revert to the fact that the shipper wishes to have both railways available to move his products to market.



Mr. MACEWAN: It is my understanding that the covered hopper cars can be manufactured in Canada.

Mr. ROBERTS: Oh, they are.

Mr. MACEWAN: And there are two plants in Canada that are in a position to do this.

Mr. ROBERTS: To my knowledge there is one in Quebec.

Mr. MACEWAN: And one in Nova Scotia.

Mr. ROBERTS: Yes.

Mr. MACEWAN: According to the best information I have the company will be producing and shipping this product on a 24 hour a day basis.

Mr. ROBERTS: Well, they will be loading, sir.

Mr. MACEWAN: On a 24 hour a day basis?

Mr. ROBERTS: Yes.

Mr. MACEWAN: Is it your understanding there will be peak periods in which there will be more cars required at one time than at another?

Mr. ROBERTS: I understand that the particularly heavy shipping season is in the winter months. However, Mr. Knorst is more familiar with these facts and he is in a much better position to answer that question than I.

Mr. PASCOE: Could you inform the committee, Mr. Roberts, whether or not this will involve, more or less, one way traffic, or will there be a certain amount which will come in over the line?

Mr. ROBERTS: There will be material coming in, sir; however, I would imagine this material would not be of the type that would use the equipment that takes the potash out. Probably it would involve supplies, machinery and things of that nature in box cars.

Mr. RIDEOUT: Has the C.P.R. any equity in this company?

Mr. ROBERTS: No.

Mr. LAMOUREUX: Is it the intention that this business will be divided by the mining companies between the C.N.R. and the C.P.R. and, if so, in what proportion?

Mr. ROBERTS: I could not answer that question. However, we will fight for every pound of freight we can.

Mr. LAMOUREUX: Do you consider that it may be a possibility the C.N.R. might lose this business entirely to the C.P.R.

Mr. ROBERTS: I would doubt it very much, and for this reason: As they need both railways they certainly will be shipping by both railways in order that both will be available if anyone gets into trouble.

Mr. LAMOUREUX: Is it your feeling that the C.N.R. is not equipped sufficiently to move the full production of the mine?

Mr. ROBERTS: Although I represent the C.P.R. I am satisfied there is sufficient tonnage there for both of us to divide. As you realize, the shipper has his own problems and he is meeting them by trying to get both railways in there.

Mr. LAMOUREUX: Have you any guarantee of business from the company?

Mr. ROBERTS: There is an agreement in respect of the construction of the railway.

Mr. LAMOUREUX: Is it a written agreement?

Mr. ROBERTS: I think this is something, sir, which I understand would be privy to both signatories.

Mr. LAMOUREUX: You are at liberty to say only that there is an agreement between the company and the C.P.R. in regard to the movement.

Mr. ROBERTS: Yes.

Mr. LAMOUREUX: Would that agreement provide for a minimum quantity to be moved?

Mr. ROBERTS: Yes.

Mr. LAMOUREUX: Is it more than half of the production?

Mr. ROBERTS: Now you are getting into the agreement; I am sorry, sir.

Mr. SMITH (*Simcoe North*): Is this not the usual type of agreement we have had in connection with these branch line requests whereby a constructing company obtains an agreement for a certain amount of business so that they can recover the cost of the branch line?

Mr. ROBERTS: Yes.

Mr. LAMOUREUX: Although I understand this, are we not in the position where a particular district is not particularly served by another railway line?

Mr. ROBERTS: There have been other instances and, as an example, I could cite the Manitouwadge run where both railways have built lines into mines, and that has occurred within the last four or five years.

Mr. LEWIS: Although Mr. Roberts takes it for granted, I, as a member of parliament, do not take it for granted that anything in the agreement between the C.P.R. and the mining corporation is necessarily privileged. Mr. Roberts does not see fit to tell us anything about this agreement—and this may be the established practice in the past. May I ask Mr. Roberts precisely what the agreement he refers to provides in regard to a guarantee of shipment on the C.P.R.—and I submit to you that is information which this committee ought to have.

Mr. SMITH (*Calgary South*): Mr. Chairman, it strikes me in respect of the point raised by Mr. Lewis that we should hear a view expressed by the chairman. I frankly do not know whether Mr. Lewis had made a correct statement or not. I have sat at meetings of this type for some five years and to my recollection this question has not come up before. I am only suggesting to you, sir, that there is precedence involved here and that in the event you decide this information should be made available, a similar practice would have to be followed from this point on. I repeat, we should have some view expressed by the chairman as to whether or not this is privileged information.

Mr. TEILLET: Mr. Chairman, we have been asked to approve an expenditure for the developing of a branch line in western Canada. Many other branch lines in this general area are now being removed. I do believe that information regarding arrangements between the company and the purchaser is vital to our arriving at a proper decision. Whatever precedent might be established, I feel that the situation necessitates making available such information.

Mr. McPHILLIPS: Mr. Chairman, in other meetings of this committee we have repeatedly decided that agreements of this type between the railway company and the producer are privileged. I see no reason for departing from that general decision.

The CHAIRMAN: Yes, this situation has arisen before.

Mr. LEWIS: With respect, Mr. Chairman, I have not been at these meetings before and if I am out of bounds I trust that you will so inform me. However, it seems to me that before parliament can approve the building of a line in competition with an existing line, information of this type should be made available. I feel this would also be true if the situation were reversed.

Mr. BELL (*Saint John-Albert*): The situation would be entirely different because one is a government owned railway and the other is a private enterprise.

Mr. LEWIS: Mr. Chairman, perhaps my friend will refrain from jumping to the defence of his friends so quickly and listen to what I have to say.

I was in the midst of saying that my position would be the same if the situation were reversed. When parliament is being asked to build a duplicate line in areas where branch lines are being torn out, surely recommendations, reports and records dealing with rationalization of the railway and its system in respect of competition are necessary. This committee and parliament cannot possibly come to an intelligent conclusion without knowing firstly, what the needs are and, secondly, what arrangements are being made between the railway and the company involved. The mere statement that the shipping company would like to have available the services of every railway company, airline and trucking company is surely not sufficient information on which to base a decision. My respectful submission is that we as a committee cannot know what we are doing unless we have before us the agreement in respect of this point. I am not concerned with other areas of the agreement, but I feel that we should concern ourselves in this respect.

Mr. GORMAN: Mr. Chairman, perhaps I should say at this point that this procedural question could be deferred until we have heard the evidence of Mr. Knorst because I feel it will be evident from his evidence that the volume of traffic is so tremendous that it will be obvious to all members that the services of both railway companies will be needed. I feel that following the evidence of Mr. Knorst it will be obvious to members that it is not necessary to deal with the particular point that has been raised at this time.

Mr. ARGUE: Mr. Chairman, before you decide on the procedural question I should like to make a comment.

Mr. McCLEAVE: Mr. Chairman, I should like to suggest that perhaps the best policing to be done in respect of competition is to be done by the competitors themselves. I assume that the Canadian National Railways officials have not indicated they wished to appear before this committee. Perhaps they have and I am not aware of it, but it seems to me that if they feel there is a bona fide objection to the construction of the line in question they would be before us asking us to take the necessary steps to prevent it.

Mr. LEWIS: Perhaps we should refer this bill to them.

The CHAIRMAN: Order. In answer to Mr. McCleave I might state that there has not been a representation made by the officials of the C.N.R. in respect of appearing before this committee in opposition to the bill.

Mr. ARGUE: Mr. Chairman, in respect of the procedural point, and before we deal with it, I think the committee should hear from the C.N.R. officials even though they themselves perhaps have not initiated this action. I feel that this committee should take the initiative in this respect and ask the C.N.R. to send representatives to this committee so that we can be made aware of the point of view taken by the officials of the C.N.R.

As has already been pointed out, there is a tremendous drive across this country to take up railway branch lines. I am not in any way in opposition to this bill but I do state that, in view of this drive across the nation to remove branch lines, the passage of this bill will obviously affect in an adverse way the revenue of the C.N.R. This would, of course, increase the deficit.

Mr. Chairman, I give notice that at an appropriate time I will make a motion that the Canadian National Railway officials be asked to make representations to this committee in respect of this bill. I should like to make that



motion now if you will entertain it at this time. If you will not, then I should like to move it when you are prepared to accept it.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I think it would be useful, as Mr. Gorman has suggested, if we hear the evidence of Mr. Knorst and then perhaps deal with these irrelevant matters that are being discussed now.

Mr. ARGUE: They are not irrelevant.

Mr. TEILLET: They are not irrelevant, Mr. Chairman.

Mr. FISHER: Mr. Chairman, this witness has referred to an example in respect of the Manitouwadge situation. Mr. Donald Gordon has expressed to me personally, and to this committee generally, that the decision in terms of building that branch line was disastrous. This resulted from the expense of building the additional line into this one mine where there was really only enough traffic to keep one line operating. It is my opinion that the C.N.R. officials are quite properly bitter about this situation. I asked the natural question which comes to mind: Why did you let this situation develop? In answer I received just a shrug of the shoulders and an indication it was their opinion that they felt they could do little about it. They did want to compete in this area but at the same time felt that they could not sufficiently substantiate an objection to the second line.

I can assure members of this committee that there is a mine community consisting of 3,000 individuals that has been carved out of the bush at Manitouwadge, and that one railway can handle the production there quite easily. There was no advantage to be gained in terms of re-routing of shipments in this area. As a result of this situation I feel that \$25 millions of the Canadian taxpayer has perhaps gone down the drain.

For the reasons I have set forth, Mr. Chairman, I think we should entertain a motion asking officials of the C.N.R. to appear before this committee to make representations in respect of the traffic pattern, and perhaps to outline their objection to the building of another branch line in this area.

The report of the MacPherson royal commission contained a very clear recommendation indicating that no further branch lines should be built in Canada until it has been shown absolutely that there is sufficient traffic to sustain the additional line so as not to needlessly increase competition. For these reasons I will either move the motion suggested by the hon. member for Assiniboia or support his motion.

The CHAIRMAN: Gentlemen, I may state that the C.N.R. officials were informed of this committee meeting and their right to appear.

Mr. SMITH (*Calgary South*): Mr. Chairman, I should like to point out that we are now being asked to deal with two different points. We are being asked to consider the suggestion of Mr. Lewis with respect to the supplying of information concerning an agreement between the company and the Canadian Pacific Railway and, secondly, with regard to asking C.N.R. officials to give evidence regarding the application contained in this bill.

In dealing with the first request, I should like to state that it may well be that the company will voluntarily provide information concerning the agreement, but that is entirely up to the company.

The reason I have brought this situation to the attention of the committee is that I feel that we will be considering many bills of this type, as we have done in the past, and we will be setting a precedent necessitating the production of information concerning agreements of this type in respect of future applications. I suggest to the Chair, therefore, that we as responsible members of the committee determine this point so as not to find ourselves in the unfortunate position of having to ask for similar information, because of an established precedent, in respect of future applications which is not necessary



nor advisable. After such a decision I think we should then consider the question asked by Mr. Argue.

Mr. RYAN: It would appear from the map that there is another C.P.R. line running through Esterhazy, and it would appear that Esterhazy would be a closer point to the potash mine than Bredenbury. I am wondering if Mr. Roberts could explain the reason for not putting the spur from this more southerly line.

Mr. ROBERTS: The question of serving the plant from the new subdivision was given consideration, but this is a secondary main line. As I recall it, the train service on that line at the present time is twice weekly. The facilities for clearing cars ready for transportation would have to be set up there. As I understand it, the terrain through which the line would go is more rugged than south from Bredenbury. We have to weigh those things against the fact that our secondary main line, if you wish to call it that, runs through northern Saskatchewan and northern Alberta, and we have two fast freight trains moving through there daily. We also have a divisional point at Bredenbury where car repairs and such things as that can be taken care of. You have to make a choice between the two, and in our opinion Bredenbury is the better one.

Mr. LEWIS: To come back to the point of the agreement, in view of the way Mr. Smith stated it, I want to make a proposition. At the moment I am not asking the agreement be made available to be filed; I am asking that the Chair instruct this witness, or any other witness who is competent to give the evidence, to tell the committee mainly what there is in the agreement with regard to the guarantee by the mining corporation as to the amount that will be shipped over the C.P.R. line. I am not asking for the entire agreement at the moment; I am asking for that point alone on the basis that unless we know that, we do not know what the effect will be on the existing line.

Mr. SMITH (*Calgary South*): I suggest that is the agreement.

Mr. ARGUE: If the minimum is 90 per cent, then we will know what happened to the C.N.R.

Mr. TURNER: The committee ought to work on two assumptions. With respect to the first point, the committee must work on the assumption that the C.P.R. has made sufficient investigations and a sufficient contract to give itself compensatory revenue from this particular branch line, and has secured a contract in definite enough terms to guarantee both the traffic and therefore the revenue. I would therefore suggest that the agreement and information relating to that agreement is properly a privileged document, and we would have to assume that the railway knows what it is doing when it is trying to obtain extra revenue and give this service. On the point raised by my friend from Port Arthur as to whether the C.N.R. ought to be asked to appear before this committee, we are entitled to go on another assumption, that the C.N.R. was notified of this hearing and that, in its opinion, the passing of this bill would be detrimental to its revenue.

Mr. ARGUE: Let them come to say so.

I have a question to ask of the witness: Would he tell the committee what the destination of this salt would be in the shipment?

The CHAIRMAN: Let us first get the agreement straightened out.

Mr. FISHER: Could I ask a question on the agreement? I would like to know whether you can tell us if there is any agreement between the company and C.P.R. which is going to give a certain portion of the traffic to the C.P.R. and rule the C.N.R. out?

Mr. ROBERTS: It is a volume of the tonnage, Mr. Fisher. With respect, gentlemen, the bill before you to construct this branch line is not an after-thought. From the time that the International Minerals and Chemicals Corporation of Canada Limited decided to go ahead with this development in Saskatchewan, they informed both the Canadian National Railways and ourselves that they would require the services of both railways.

Mr. LEWIS: Mr. Chairman, I am not for one second withdrawing from the position which I urge on you, and may I, as a member of this committee, insist that some conclusion be reached today or at some other time. I reject entirely the suggestion of Mr. Turner about making assumptions.

If parliament has written into the act that before the Canadian Pacific Railway can build a certain line, it must come to parliament to seek permission to do so, then that involves a decision by parliament, not one by the Canadian Pacific Railway, and it does not involve any assumption about the Canadian Pacific Railway or the Canadian National either. It places the responsibility at our door, and it is our duty to find out the information necessary to make an intelligent decision, and a decision which is in the best interests of Canada. That is our responsibility, not that of the Canadian Pacific Railway, or of anybody else outside of parliament. I insist that there is nothing in my experience as a lawyer as well as a citizen which makes that part of the Canadian Pacific Railway mining agreement sacrosanct, and I maintain that this committee has to know the volume of shipments which the company guarantees will go over the Canadian Pacific Railway line, if that is what the agreement provides, and I request you, Mr. Chairman, to rule on that.

Mr. McPHILLIPS: There is no motion before the committee.

Mr. BELL (*Saint John-Albert*): Mr. Lewis has omitted to say that there are certain precedents or procedural decisions which have been made in so far as our committee activities are concerned, that would limit what we can ask for and demand today. The Canadian National Railways are an entirely different proposition. In most cases we are asked to expend public money for the Canadian National Railways' operation, so therefore I feel we can go a great deal further in connection with their activity.

On the other hand, the Canadian Pacific Railway is a private enterprise. We are still in a free enterprise system, and I am surprised that Mr. Argue would go back to it for a brief moment. Nevertheless I still want to state in my opinion the witnesses have a perfect right to refuse to answer any of these penetrating questions which might have the effect of giving information with respect to this agreement, which is a private and internal company matter.

The CHAIRMAN: All right. Is there anything more?

Mr. ARGUE: It involves the public purse to some extent.

The CHAIRMAN: Order, gentlemen.

Mr. SMITH (*Simcoe North*): If I might comment on what Mr. Lewis has said, we have never, in this committee, forced the Canadian National Railways—in any of the Canadian National Railway committees—to expose their competitive positions.

Mr. BELL (*Saint John-Albert*): May I quote a precedent in connection with the agreement which the Canadian National Railways made with Hilton Hotels International in Montreal. We argued about it for days. It was a secret agreement very similar to this, and it was refused at the time. I feel sure that when Mr. Lewis has been here for a while, he will find that we still honour those precedents.

Mr. FISHER: Sitting beside me today is a member of a committee in the past who asked for the production of an agreement between the railways and another organization. The request was refused when it was put to a vote. I

would like to say to the hon. member for Saint John-Albert the fact that decisions in the past have always gone against revealing it indicates nothing more than the fact that the matter went to a vote, and that it is not a tradition. So, if this committee were to decide in favour of what Mr. Lewis is asking, we would then have before us this agreement and we would be able to make sense out of the decision which we are to make. It is a very obvious one.

To me just because a committee in the past happened to vote down something, I cannot see why this committee should not vote in a different way. Therefore I suggest that the matter should be entertained by the Chair, although I do not see how you can rule on it. I think there should be a vote on it; and to go beyond that, in relation to whether we should have the information, I would like to suggest to this committee that with respect to the new situation with regard to the railways and branch lines, we should put to the government members of this committee the fact that their government appointed a royal commission a few years ago, and that we now have before us the report of that royal commission.

Of course royal commissions do not constitute government policy, but we have been informed by the government that it intends to bring in recommendations arising out of the report of that royal commission. So at least the sensibility of that commission's report has been recognized by the government, because the recommendations of the commission are certain and specific in regard to branch lines.

The report states—as almost every investigation into Canadian railroading has stated—that we have always been far too free in building branch lines, and it warns us repeatedly, in regard to the building of branch lines.

I have gone through the evidence which was given to the Senate and I am more convinced than ever, in view of this new situation, that we should know what the arrangement is between the Canadian Pacific Railway and the Canadian National Railways on this matter, so that we might make a sensible decision on transportation policy, and as to whether we really need this line. The fact that it may be private money rather than public money which is going into it seems to me to be irrelevant. The whole point is that we are all paying in Canada for the over-building of railways in the past.

MR. TURNER: In reply to Mr. Fisher's remarks, it is true that the royal commission has made recommendations to assure the abandonment of railway branch lines.

MR. FISHER: It has done more than that.

MR. TURNER: My submission is that the philosophy behind that MacPherson report is that the railways should be allowed to be the judge of their own revenues, and if they decide that such and such a branch line is no longer economic, they should be given freer play to enable them to withdraw that branch line.

In this particular application the railway decided that it is a compensatory situation to build the branch line. So the same philosophy of the MacPherson report is support to my submission of the fact that the railway is the judge of its own revenue and of its own railway traffic position. I am not attempting to deny that parliament has the right and the duty to supervise applications of this kind, but I suggest that parliament does not give the right for the committee to go into railway business in so far as the Canadian Pacific Railway is concerned, but that the railway should be left free to rely on its own judgment as to what are the revenue and financial possibilities so far as the Canadian Pacific Railway is concerned.

THE CHAIRMAN: Do you wish to make a motion Mr. Lewis?

MR. LEWIS: I had assumed there was going to be a ruling, but I shall make a motion.



Mr. BELL (*Saint John-Albert*): Before Mr. Lewis begins would it be possible if we could agree at the present time to hear the further witnesses this morning, and to leave in abeyance, without any reservations, Mr. Lewis' right and privilege to bring forward his motion for the production of this agreement or the facts relating thereto? It would also, I think, give us time in which to check the precedents of the past.

I did not say anything when Mr. Fisher mentioned that certain motions have been defeated in the past, and that it did not establish precedents for the future. But I think we are all appreciative of parliamentary procedure and I do not want to give you a lecture on it. However I think we do appreciate the fact that, because of the minority situation, we must offer some guiding rules for committees this year. I would like to know just where we are going, and just what the situation is historically in connection with these matters. So with that thought in mind I suggest to Mr. Lewis that we should hear a little more from our witnesses, and then his motion could be made. In that way a decision would be reserved until we have had time to check upon past procedures.

I am interested to hear what took place before, in so far as these documents are concerned, and I think that people in the past, in their wisdom turned down this inquiry into internal management. Therefore, surely we should not upset it without some considerable study.

Mr. LAMOUREUX: I would like to make one comment: If parliament has decided in its wisdom in past years that this type of private construction should come before parliament, and before this committee, it seems to me that if this means anything, it should mean that we would have to make a decision based upon the facts and figures, after proper consideration. It seems to me that we cannot make a decision until we know what the economic considerations are, and we certainly have no idea what these considerations are until we can learn, at least to some extent, what the nature of the agreement is that has been entered into between the mining company and the Canadian Pacific Railway.

Much has been said of the fact that we would be looking into Canadian Pacific Railway business. We are not doing that to any material extent, because we will know, once this is approved and the branch line has been built; but I might say in passing that I find it rather disturbing to some of us that the line is actually built now for all practical purposes, and that this is really an academic discussion. If it does not receive the approval of parliament, then I do not know what will happen. Will the line have to be broken up?

But once this has been approved and the line is in operation, we will see at that time what is going on and how much business is taken away from the Canadian National Railways by the Canadian Pacific Railway. We are only asking to let things develop, and that will be revealed to us in a couple of months time.

Mr. ARGUE: I would like to support Mr. Bell's proposition that for the time being we hear from the witnesses, and go on. As I understand it, the Chairman has agreed to entertain a motion at the appropriate time, should it be made by Mr. Lewis, in which case the committee could deal with the motion and then we could decide, by vote of the committee, whether or not we would pass the motion which Mr. Lewis might move. I think we should proceed on that basis, and I think Mr. Bell's suggestion is a very good one.

The CHAIRMAN: Gentlemen, this is Mr. Walter B. Knorst, assistant director of transportation, International Minerals and Chemical Corporation.

Mr. WALTER B. KNORST (*Assistant Director of Transportation, International Minerals and Chemical Corporation*): Mr. Chairman and hon. members: We are supporting the application of the Canadian Pacific Railway to build this

track because we feel an operation of the magnitude of our Esterhazy potash mine should protect itself and always have rail transportation. In the event of a strike, disruption of service due to an act of God or any other possible chance that might result in a temporary halt in rail service, we would be faced with an untenable position. We cannot service our markets by truck because of the long distances to our customers and plants.

A second railroad will also open up a second source of car supply. While we appreciate that the Canadian National is a fine and well-run railroad, we feel any railroad can encounter times of difficult car supply if we can draw upon two railroads for car supply, we minimize the danger of car shortage.

There is a car shortage. If an order should come in for a shipment of potash, and if we could not supply a car at the time that it is ordered, that is a sale which is lost, because there are many other potash producing companies which can and will supply that order.

Now, as to the money that is invested in employment and so forth, we have invested \$40 million in our Esterhazy potash mine to date, and we have employed 400 men most of whom are local people, and we have a local payroll of \$2.4 million, and we expect to derive a million tons or better, annually from our Esterhazy potash mine. I.M.C. (Canada) has been in existence for about 20 years, but when we first started to sell stock in Canada we formed our Canadian subsidiary. However, the financing has been done entirely by the parent corporation. The stock is publicly owned, and is now listed on the Toronto stock exchange.

We are contemplating a second shaft which is required by law for the purpose of circulation and safety, and we are beginning work on this project.

In so far as revealing what is in the contracts with the different railroads is concerned, this would be an advantage to us if this was done all along in Canada. I cannot say whether we are getting a good deal from the railway or being over-charged by one or the other. Such is not the case, and you negotiate to the best of your ability with each railway to their satisfaction and yours.

Mr. FISHER: Have you an agreed charge arrangement with the Canadian National Railways?

Mr. KNORST: No.

Mr. FISHER: What is the rate now? Is it the rate published for this kind of shipment by the Railway Association of Canada?

Mr. KNORST: Yes.

Mr. ARGUE: What is that rate?

Mr. KNORST: The rates are different.

Mr. ARGUE: Could you give us some examples of some destinations or some of the countries—a quick rough picture?

Mr. KNORST: An example is the rate from Yarbo to Vancouver for export business which was put in to compete with the United States. This rate is \$9 a ton.

Mr. ARGUE: Are some rates lower and some higher, or is that the low rate?

Mr. KNORST: No. I think there are customers in Winnipeg and that the rate is slightly less, but by and large there is approximately \$1,000 per car in total charges.

Mr. ARGUE: So that on the basis of your potential output your freight value could well be \$9 million?

Mr. KNORST: Yes, sir.

Mr. ARGUE: Which would be divided in this instance between the two railway companies and is a very large sum of money in respect of either one, I am sure.

Mr. KNORST: Yes.

Mr. SMITH (*Calgary South*): Would you say a word about your markets with particular reference to any export market?

Mr. KNORST: This is a rough estimate and would have to be confirmed, but we estimate now that approximately 50 per cent will go through Vancouver for export. The remainder will be divided up, possibly one-third into Canadian destinations and two-thirds into United States destinations.

Mr. SMITH (*Calgary South*): What competition have you in respect of the export markets?

Mr. KNORST: In Carlsbad, New Mexico, there are about five producers besides ourselves. Then there is Trona in California, a producer in Utah, east German potash, Spanish potash and French potash.

Mr. CROUSE: Will any of this production be shipped through eastern Canadian ports.

Mr. KNORST: No. Our investigation showed that under present conditions this would not be economical.

Mr. RYNARD: Mr. Chairman, I am wondering what they figure their annual increase will be. The world is going short of food, and if this growth continues I would think both mines might be needed.

Mr. KNORST: That is true, but—

Mr. RYNARD: What do you think your increased demand would be per year?

Mr. KNORST: We are geared to produce about 1,200,000 out of Esterhazy at the present time. We have given consideration to the demand, but at the present time we are putting all our eggs into that basket. We figure we can adequately service the present market with that rate of production.

Mr. RYNARD: Even though it expands 10 per cent per year for ten years, which would give you double production.

Mr. KNORST: This second shaft they are going to sink for present purposes is for ventilation, but there is no reason why that could not be used for production should the market develop to that extent.

Mr. RYNARD: In other words, you must be planning on a growing market if this is to produce more food, and then you would have a lot more production and in ten years you would have double the output.

Mr. KNORST: That is possible.

The CHAIRMAN: Will your second shaft cost \$40 million?

Mr. KNORST: We hope not. We hope it will be around \$3 million. With our past experience we will eliminate some of the problems which we had in respect of the first one.

Mr. SMITH (*Calgary South*): You experienced considerable difficulty in the first instance?

Mr. KNORST: We certainly did.

Mr. FISHER: I am confused by this question of the freight rates. I have always understood that freight rates are in the public domain in Canada; that is, that they are either in a tariff book or are contained within agreed charges which are filed and open to the public. I also understand that an agreed charge with one railway will apply to other railways servicing the same area. Therefore, if my assumption is correct, you were really speaking about the kind of contract that you make in respect of how much you will ship rather than the actual charge. Let me put it another way. One of the arguments in respect of this bill before this committee for building the C.P.R. line is



that it will give you a competitor with whom you can deal, and in terms of efficiency I will agree, but how does it help you in terms of rate?

Mr. KNORST: It does not help us in terms of rates. Rates are normally established for similar production and they are published. Everyone can look and see what the rates are.

Mr. FISHER: In other words, out of this you will not get a cheaper rate with the Canadian Pacific Railway?

Mr. KNORST: No, sir.

Mr. FISHER: Is it because you think you are going to maintain a more efficient service and because of the car situation that has been gone into?

Mr. KNORST: This is all very true.

Mr. FISHER: Are you disappointed with the service you are getting at the present time with the Canadian National Railways in terms of efficiency?

Mr. KNORST: No, sir.

Mr. FISHER: Would it not be possible for the Canadian National Railways to buy or lease hopper cars to provide you with a full range of service?

Mr. KNORST: We have to accept the facts as they are and the fact is each railway has about 1,500 hopper cars and with these they have to supply the whole of Canada. If a car is not there when an order comes in, that is a sale that is lost.

Mr. LEWIS: Have you had that experience?

Mr. McPHILLIPS: Give the witness a chance to answer.

Mr. KNORST: In our experience that has been the case. We are not depending entirely on whether the railways will buy some more cars or whether they will lease them. Our problem is we need these cars and we are not depending entirely on the railroads. We are going to lease 100 hopper cars and put them into the movement in Canada. We have an emergency situation right now and we steal some of our hopper cars from another operation and send them to Esterhazy to take care of the situation. There is a shortage going on now in the United States and in Canada.

Mr. FISHER: To build another branch line just to improve the car supply hardly seems like a complete justification from the point of view surely of the Canadian National Railways, if this company from its own efforts could meet this problem without bringing in another railway.

Mr. KNORST: That is like whether you would like a whole loaf of bread or a half. We would like a whole loaf of bread. We would like our share of the hopper cars that the Canadian Pacific Railway may have available to give to us.

Mr. FISHER: I would like to ask Mr. Knorst this question—and it also relates to the movement: Are there not interchange areas between the C.N.R. and C.P.R. throughout the country when it comes to terms of shipping to a definite market, and if it happens to be better served by the C.P.R. there is no difficulty in routing the cars from the C.N.R. onto the C.P.R. line without any increase in the charges?

Mr. KNORST: I do not think that is entirely true.

Mr. ROBERTS: If I might interrupt, Mr. Chairman, there are areas between the two railways where the traffic starts at a local point on one railway and is destined to another railway but there are no interchanges where both lines have origins and destinations.

Mr. FISHER: What advantage is there to you, Mr. Knorst, if the rate is the same, between, say, a car of potash going to Vancouver by C.N.R. rather than going by C.P.R.?

Mr. KNORST: Among other things, we would consider service—time enroute. For instance, the farmers do not want to have their money tied up in fertilizer for any length of time; they want it as they need it. For instance, if we find it will take two days via C.N.R. to service this particular customer and one day by the C.P.R. the C.P.R. is going to get that business. The customer will demand that service. He only wants it when he can use it.

Mr. FISHER: Are you not suggesting that unless there is a competitive situation you cannot get the transportation service out of the C.N.R.?

Mr. KNORST: No, sir, I am not. But, in our experience that has been the case.

Mr. LEWIS: What has been the case?

The CHAIRMAN: Just a moment Mr. Lewis; there is someone else before you.

Mr. LEWIS: The witness says "In our experience this has been the case." I would like to know what he is talking about.

Mr. KNORST: I am talking about a railway that serves a region almost exclusively; we are completely at their mercy as to when they will move a particular car; whereas if we have two railways we can judge—and I say "judge"—one against the other.

Mr. LEWIS: That is your experience in the United States.

Mr. KNORST: And in Canada. We have mines in Blue Mountain, Ontario, and we did have one in Buckingham, Quebec.

Mr. FISHER: To elaborate on this, you really want, in terms of service, not a competition in regard to price, because that will not apply, but a competition merely in terms of service and the winner will be the railway that gives you the fastest service to your destination.

Mr. KNORST: And car supply.

Mr. FISHER: Also, we have to remember that the C.P.R. cannot supply you completely because they have not the cars.

Mr. KNORST: Yes, that is correct; however, they have some and whatever we can secure in addition will be just that much more to our advantage.

Mr. FISHER: Did you have a conversation with the C.N.R. before you brought up this? Although I imagine you approached the C.P.R. with regard to this branch line, did you have conversations with the C.N.R. before this?

Mr. KNORST: Oh, yes.

Mr. FISHER: What response did they make to your intention of asking the C.P.R. to come in?

Mr. KNORST: They said they would certainly like to serve our mine exclusively.

Mr. FISHER: Did you give them the opportunity then?

Mr. KNORST: The opportunity of serving us?

Mr. FISHER: Well, did you bargain with them then on that basis?

Mr. KNORST: No. The bargain was already completed before the C.P.R. considered coming in.

Mr. FISHER: Then, I understand you were not prepared in the discussions you had with the C.N.R.—or rather, you were not satisfied with what they were prepared to offer and, therefore, you turned to the C.P.R. as an alternative.

Mr. KNORST: I do not think that is entirely the picture. I would say that in our experience it was better to have two railways serving a mine than to have one. On that basis we feel that the C.P.R. should come in and serve the mine as well.

Mr. FISHER: Did you get into the situation—and I am thinking particularly now of the Manitouwadge mine—as to whether this would be a compensatory situation for both railways?

Mr. KNORST: Well, I assume from the contracts that we have with each one that they took that into consideration when they agreed to those contracts.

Mr. FISHER: Have you already made and signed the contract with the C.P.R. insofar as traffic is concerned?

Mr. KNORST: There is no contract as such for the entire traffic which will originate there. There was a minimum guarantee based, I believe, on the return on the money they were investing.

Mr. FISHER: Is the C.N.R. aware of the contract you have with the C.P.R.?

Mr. KNORST: I assume so. I don't know.

Mr. FISHER: Well, I am sure they are aware you have a contract, but are they aware of the terms of that contract?

Mr. KNORST: Not to my knowledge.

The CHAIRMAN: I believe you have some questions, Mr. Nielsen.

Mr. NIELSEN: There is just the one question left in the line of questions which I was going to ask which have been adequately covered by Mr. Fisher. There is a minimum guarantee which the company has given the C.P.R.; but, is there any similar guarantee which has been given to the C.N.R.?

Mr. KNORST: Yes.

Mr. FISHER: For how long a duration is the contract?

Mr. KNORST: For as long as it takes to discharge the obligation.

Mr. FISHER: That is not clear to me; would you elaborate?

Mr. KNORST: I do not know. It is for a period of years.

Mr. FISHER: So each railway has a guaranteed minimum out of your operations.

Mr. KNORST: Yes.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, could the witness, Mr. Knorst, explain the possibility of increased production and activity in the international markets. Although I do not think we wish to give the impression to the witnesses that we think there is a deep rooted plot to put something over somebody, I do think it is good that they are expanding and looking to the future and, as a poor old boy from the Maritimes, I would appreciate it if you would elaborate on what you expect in the future.

Mr. KNORST: On the basis of today's opinion or knowledge there is supposed to be 200 years of potash production at Esterhazy. However, there will be continual probing of the territory to find additional materials.

In respect to the Maritimes, there is a very good market down that way which is now being serviced from our overseas competition, the German, Spanish and French. We do intend to break into that market and we will be doing everything possible to do so.

I have investigated the maritime situation. I went to Halifax to see if there were facilities there which could be used economically to meet the import competition. However, there were not. The rates from Yarbo to Halifax are away out of the question—and they are away out of the question because it costs us more than what the foreign competition can lay it down at in Halifax. However, we will be investigating the possibility of using water transportation which might coincide. For instance, we are investigating the possibility of discharging at Vancouver, hooking up with water transport and then taking it around through the Panama Canal up to Halifax in order to tap that market.



It is one of my obligations to watch that and see if there is not some way we can meet that foreign competition.

Mr. CROUSE: Could you go through Churchill and down through Hudson Bay to Halifax harbour?

Mr. KNORST: No. The facilities at Churchill do not lend themselves to this type of transfer.

Mr. FISHER: Mr. Knorst, you stated that the facilities at Port Arthur and Fort William were inadequate for this purpose. I would like to know what kind of facilities are required which Vancouver has and the Lakehead has not in respect of the transportation of shipments east.

Mr. KNORST: There is a C.N.R. iron ore dock at Fort William, and prior to the establishment of facilities at Vancouver it seemed that the only way we could get our product to the water was by way of Fort William. The facilities there are very efficient and if they were covered or made waterproof they would be very suitable as far as we are concerned, because loading, unloading, and discharging can be carried out very quickly. This is a prime consideration in keeping our costs to the minimum.

Mr. FISHER: Did you approach the Canadian National Railways' officials in respect of the cost of covering some of the hoppers at Fort William?

Mr. KNORST: No, sir, I did not. The cost would be tremendous in this regard. The hoppers were built for iron ore shipments and to adapt them to the shipping of potash would be so great as to make it inconceivable. There is also a difficulty arising as a result of the short navigation season.

Mr. ARGUE: Mr. Chairman, as a resident of Saskatchewan, I should like to assure the witness that the people of Saskatchewan are delighted with this development and certainly wish everything done to facilitate its furtherance. I am sure that the government of Saskatchewan and the federal department concerned have been in close contact. I should like to ask whether the construction of this branch line has been discussed at any time with the Department of mineral resources or the government of Saskatchewan and, if so, has any opinion been expressed in respect of this request?

Mr. KNORST: I do not know that that has happened.

Mr. SAMS: Mr. Chairman, I was interested in the comments of the witness in respect of the servicing of the maritime provinces and the current situation in Quebec. Is the potash supply to these areas being brought in from the overseas market, or is the International Minerals Corporation able to supply potash to Ontario and Quebec?

Mr. KNORST: There is some potash coming into Montreal from the overseas market. We are supplying some but this does not represent a great part of the market. It represents a very minor portion but is a start in this regard.

Mr. SAMS: From your standpoint then it is a straight case of economics at the present time?

Mr. KNORST: Yes.

Mr. FISHER: Mr. Chairman, I should like to come back to the discussion in respect of the negotiations that this company has had with the Canadian National Railways. Perhaps I could just preface my question with the statement that I understand one of the immutable laws of economics is that the greater the volume the lower the price and the lower the cost. Was this argument put to the C.N.R., that since they at the present time had potentially all your traffic, with greater volume they should be able to make an adjustment, or appear before the Board of Transport Commissioners and give a lower rate?

Mr. KNORST: That is a very fine argument except when you consider the situation in the United States where the ever competing railroads have met the same situation and have got into what we would call a rate war where no one gains but the railways lose.

Mr. FISHER: We do have the example of the C.N.R. last year going through a long period of negotiation with the Steep Rock Iron Mine and the Caland Mine at Atikokan as a result of which they arrived at a lower rate. One of the arguments that the Steep Rock Mining Company actually put forward was that they were prepared to build their own railway line in order to get a better price. I am wondering just how strongly you put the argument to the Canadian National Railways in terms of better rates, the C.N.R. having all the traffic.

Mr. KNORST: We put this argument as strongly as we knew how.

Mr. FISHER: Perhaps I might ask how long you negotiated?

Mr. KNORST: I should estimate the negotiations lasted approximately five years.

Mr. FISHER: Were any concessions made at all?

Mr. KNORST: Prices were considered to give Yarbo, Saskatchewan, its proper geographic location in respect of other producers, and where Yarbo was geographically closer to the market a lower rate was available than from Carlsbad, New Mexico, for instance.

Mr. FISHER: Let me tie this up in regard to the rate you now have.

Mr. KNORST: We have thousands of rates.

Mr. FISHER: Yes, but the rates you now have with the Canadian National Railways are the rates that will apply to the Canadian Pacific Railway?

Mr. KNORST: Yes, sir.

Mr. FISHER: This, of course, is true in respect of the same market point?

Mr. KNORST: Yes.

Mr. SMITH (*Simcoe North*): Mr. Knorst, your company owns and uses some hopper cars in respect of this operation?

Mr. KNORST: Yes, sir.

Mr. SMITH (*Simcoe North*): Can you tell us the cost of an aluminum hopper car suitable to this type of operation?

Mr. KNORST: I am sorry, we do not own them, we lease them.

Mr. SMITH (*Calgary South*): Mr. Knorst, I wonder if you might say a word about the marginal operation or competitive nature of your business? I assume that there is a line of penetration at which you can compete efficiently, and conceivably that would be in the domestic market within Canada?

Mr. KNORST: Yes, sir.

Mr. SMITH (*Calgary South*): And after that point, when you reach Vancouver, you find that your rate of profit, or the projection of your rates of profits, because this will only be known by experience, diminishes considerably? Have you an estimate as to where that line is?

Mr. KNORST: If I understand you correctly you are referring to the domestic market?

Mr. SMITH (*Calgary South*): No, I am specifically referring to the export markets. I assume that in respect of your domestic market you have already satisfied yourselves that you will capture a substantial portion of it?

Mr. KNORST: That is not true.

Mr. SMITH (*Calgary South*): Would you elaborate in this regard?

Mr. KNORST: We cannot be certain of any market because the price would be the same and the difference would arise in respect of transportation costs.

The producer would have to absorb that difference in the transportation costs in order to meet that market. Therefore, this depends upon sales ability. Potash is potash whether it comes from Germany, Canada or the United States. It is the same material.

Mr. SMITH (*Calgary South*): I appreciate that, Mr. Knorst and assume that you are really in a very marginal operation at this stage?

Mr. KNORST: Yes, sir, it is a very competitive situation.

Mr. SMITH (*Calgary South*): For the sake of argument, Mr. Knorst, in the event that this committee decides that it would not be in the general interest of the public to establish a second railway line to service you, this would prejudice your position in respect of making your operation a profitable operation?

Mr. KNORST: Yes, that is true.

Mr. FISHER: I do not follow that line of reasoning.

Mr. LEWIS: Mr. Chairman, I should like to ask the witness two or three questions.

I presume you base your last answer on the assumption that the service you would require would not be available from the C.N.R. if the C.N.R. was the exclusive shipper?

Mr. KNORST: Yes, that is right.

Mr. LEWIS: That assumption cannot yet be based on any actual experience because you have not been in operation at Esterhazy very long?

Mr. KNORST: We have been in operation there since October.

Mr. LEWIS: So the assumption you are making is not based on any actual experience in respect of the inadequacy of service, and I am talking about the service from Esterhazy?

Mr. KNORST: In regard to Esterhazy that is true. In respect of Esterhazy we do not have the experience which would indicate that, but the assumption has been based on past experience throughout the country.

Mr. LEWIS: I take it you are in favour of a second branch line in order to make doubly sure of adequate service?

Mr. KNORST: We assume that this will be the result.

Mr. LEWIS: When did you make your agreement with the C.N.R.? You said you negotiated with the C.N.R. for about five years.

Mr. KNORST: Yes, sir.

Mr. LEWIS: When did you finally arrive at an agreement?

Mr. KNORST: It could have been about three years ago, if my memory serves me correctly.

Mr. LEWIS: When did you make the agreement with the Canadian Pacific Railway?

Mr. KNORST: I believe we arrived at an agreement with the C.P.R. about September of this year.

Mr. LEWIS: How many years of negotiations were involved?

Mr. KNORST: When I referred to negotiations I had in mind the exchange of information as well as the asking and answering of questions such as: Can you do this, and can you do that, and let us wait and see. As far as we are concerned we were going to chew off a little bit at a time. We chewed off the C.N.R. service and have now digested that. We now wish to chew off a little of the C.P.R. service.

Mr. LEWIS: We just want to make sure you do not regurgitate, that is all.



Mr. KNORST: Yes, sir.

Mr. LEWIS: When did you commence this exchange of correspondence, or whatever it was that you had with the C.P.R.?

Mr. KNORST: In 1957, I believe.

Mr. LEWIS: How much later would that have been from the date that you commenced this exchange of correspondence with the C.N.R., or did you commence both at the same time?

Mr. KNORST: We commenced both at the same time. The head offices of these companies are in Montreal and we took the opportunity of approaching them at the same time.

Mr. LEWIS: All through the piece you discussed this matter with both railway companies?

Mr. KNORST: Yes, sir.

Mr. LEWIS: The Canadian National Railways has already started operating?

M. KNORST: Yes, sir.

Mr. LEWIS: The C.N.R. has already hauled some potash out?

Mr. KNORST: Yes, sir.

Mr. LEWIS: How much per day has in fact been shipped since you started production?

Mr. KNORST: I would have to make a guess in that regard. I would say probably 25 cars per day, but we are not in full production.

Mr. LEWIS: I was just going to come to that. Could you give the committee an idea of the rate of step-up that your company envisages in production at Esterhazy.

Mr. KNORST: Twenty-five.

Mr. LEWIS: Would it be three months or six months from now?

Mr. KNORST: The seasons of the foreign markets are different from ours. Actually, the selling takes place just before the planting season. They may make contracts two or three months previously, but the shipments take place as the weather develops around the country. We could probably go up to 200 cars in a twenty-four hour period. That would be, at the present time, our maximum surge.

Mr. LEWIS: So that we now have one-eighth of what you expect the maximum to be?

Mr. KNORST: Yes, sir.

Mr. LEWIS: From the point of view of production, how long would it take you to get up to the maximum?

Mr. KNORST: We have four storage bins or warehouses at Esterhazy. They hold 35,000 tons a piece. There are 140,000 tons of reserve potash for shipment.

Mr. LEWIS: How many cars is that?

Mr. KNORST: We figure 2,000 cars. With two railroads serving the mine, the railroad that furnishes the hopper car when the other one cannot furnish it will get the business. There are some customers who are located at the destination on the C.P.R. railway. They will say: "we want Canadian Pacific".

Mr. LEWIS: I have another question I want to ask. How far in advance are you able to tell the railway your requirements on a particular day or in a particular week?

Mr. KNORST: It varies. We do our best to notify them as soon as possible when there is a surge, for instance an export movement. There may be a ship that wants 15,000 tons, and as soon as we know that we notify the railroad so that we can take the right steps together.

Mr. LEWIS: Would it be a matter of weeks or day?

Mr. KNORST: I would say that probably they would know at a maximum of fifteen days ahead of time, but a more normal situation would be three or four days.

Mr. MCPHILLIPS: Mr. Knorst, you spoke about shipments through the port of Vancouver. What would be the destination of those cargoes?

Mr. KNORST: Japan, New Zealand and Australia. That is about all I can think of offhand, and that is where potash is consumed.

Mr. MCPHILLIPS: Would you have a market on the Pacific Coast of the United States?

Mr. KNORST: There is a market but there is also a producer there. There is one in California but his freight rates are so much lower than what we would have to pay, that he probably has the market sewed up.

Mr. RYNARD: Do I understand the situation correctly, that we do not use or could not use the potash from the west in Ontario and Quebec because of costs? Is there going to be a market in Ontario and Quebec?

Mr. KNORST: Yes, sir, very much so.

Mr. FISHER: But it will be a market serviced by train rather than by combination of rail-water? You see no possibility of, say, rail-water shipments out through the St. Lawrence seaway?

Mr. KNORST: I do see possibilities.

Mr. FISHER: What about the facilities that would be required?

Mr. KNORST: We will be working on that. We can promise some tonnage that would remunerate them for creating these facilities. I am sure they would consider them at that time.

Mr. FISHER: I want to come back to the point mentioned by Mr. Lewis. I find that the railways tend to operate in terms of trains. Would it not be a possibility that there might be a disadvantage to both railways in splitting the traffic in terms of making up trains and movements of trains?

Mr. KNORST: Not to us.

Mr. FISHER: You would forget about it once the car was loaded at the point?

Mr. KNORST: No, sir, we would be most anxious to hear when it arrived at its destination.

Mr. FISHER: But in terms of the composition of traffic and the train going out of where you are, you are just going to look at the date on which your shipment reaches the destination?

Mr. KNORST: It would seem that our interests would then disappear, but they do not. We are continually consulting with the railways as to ways and means of handling our product more economically so that they get a higher return on the money that we pay them.

The CHAIRMAN: Order, order, gentlemen. Mr. Fisher is next.

Mr. FISHER: Sympathetic as we may be with your company's position competitively, you replied to Mr. Smith's question that you are in a competitive situation and that it might not brighten if competition was really rough, and that this was a factor in your consideration. In that case, what argument would you put to us if this situation develops, and we, as people responsible for railroad development in Canada, will be left with super numerary facilities, not one but two?

Mr. KNORST: We could certainly be handicapped by the lack of car supply.

Mr. FISHER: So it really comes down to that lack of car supply?

Mr. RYAN: Mr. Chairman, I would like to ask Mr. Knorst if his company has any present plans for stock piling in great quantity at the sea ports?

Mr. KNORST: Yes, sir. We are negotiating for storage facilities at Vancouver to the extent of another 40,000 or 50,000 tons.

Mr. RYAN: Do the railways not build up a reserve in these facilities?

Mr. KNORST: The railways?

Mr. RYAN: Yes, one or the other.

Mr. KNORST: We would certainly like to encourage that situation, but it depends on the economics of the whole deal. What I mean is that if we can promise the railroad a million tons through a facility, they would be happy to put up something for us. However, we cannot do that.

Mr. RYAN: Have you any plans for further shafts within, say, a few miles or even as far as a hundred miles of the existing mine?

Mr. KNORST: Just this one other shaft which is going down in the beginning as an auxiliary or ventilation shaft. It is required by law. We hope we can get them both going and sink some more. The more the merrier.

Mr. RIDEOUT: I would like to ask a question. There are two points involved: one is the fact that the C.N.R. are short of hopper cars.

Mr. KNORST: Both railroads are short of hopper cars.

Mr. RIDEOUT: You maintain we should have another line because of difficulties which may crop up such as acts of God, et cetera? Are you familiar with the operations of the Canadian Gypsum Company operating from Melford, Nova Scotia? Are you familiar with the situation from Sydney to Glasgow? These are two lines that handle a greater volume than you are contemplating, and there is only one railroad.

Mr. SMITH (*Simcoe North*): What equipment do they use?

Mr. RIDEOUT: Hopper cars.

Mr. SMITH (*Simcoe North*): That is probably the reason you cannot get them.

Mr. CROUSE: My question has probably been answered by the last statement, but am I right in assuming that the very nature of the situation caused you to decide that you should have two lines? You cannot conveniently load this material into box cars, so you must have hopper cars. Therefore it was that overriding reason which made you request the Canadian Pacific to build that other line?

Mr. KNORST: I think the overriding reason is the question of the hopper cars supply. If you do not have the cars when the sale is made, you have lost the sale.

Mr. RIDEOUT: It seems what is needed is a bigger order for the steel works in Nova Scotia for hopper cars.

Mr. KNORST: In regard to the same development, it is the nature of the material and it is the customer-relations which would come about as a result of having two lines.

Mr. FISHER: The question before the witness is the question of consumer relationships being improved through your having this other shipper.

Mr. KNORST: Some customers prefer one railroad over another, for various reasons, such as cooperation in car supply and what not. But when you can satisfy a customer's request, you have gained added sales advantage in doing so.

Mr. SMITH (*Calgary South*): Is it not equally true that you are also competing with a series of other products which are in competition with you, other than potash?



Mr. KNORST: Potash is just one constituent of a complete fertilizer. It can be used alone, but it is used more often in fertilizers which consist of potash, phosphate and nitrogen. So we are competing with phosphate and nitrogen.

Mr. SMITH (*Calgary South*): And with other forms of agricultural fertilizers as well.

Mr. KNORST: Yes, with any form that is fertilizer.

Mr. SMITH (*Calgary South*): I get to the point: if you are losing a particular customer, I assume the reason you would lose him is not only that of additional supplies from other sources of potash producers, but presumably of other chemical manufacturers?

Mr. KNORST: That is very possible.

Mr. ARGUE: There is no substitute for potash. If soil needs potash, then it needs potash! You cannot put nitrogen in and say you are going to have that soil fertilized, because there is a limit to the amount that you can substitute.

Mr. TEILLET: I have a question. Are there any potash deposits in Manitoba?

Mr. KNORST: I am not personally aware of any; but we do not know about it until it comes to our attention.

Mr. FISHER: In the negotiations which you had with the railways, were you led at any time to approach the Board of Transport Commissioners with regard to a rate set up which seemed to be open to you?

Mr. KNORST: I visited the Board of Transport Commissioners to sort of familiarize myself with the operation, and we did file a sort of complaint about limestone; that is the limestone we go through before we get to the potash. Does that answer your question?

Mr. FISHER: You are predicting for the future. But we have had the situation a number of times in Canada, with a large scale shipper, such as yourself, after things have been going a while, a competitive situation develops when he goes to the Board of Transport Commissioners for a hearing, seeking a better rate. He wants a hearing, and usually evidence is adduced. I want to know if this factor was in your mind at any time, and this kind of situation? Do you foresee, for example, in a couple of years, if your competitive situation becomes very tight, that you will be going before the Board of Transport Commissioners?

Mr. KNORST: I think we could give the railway a further opportunity to answer our request for a different type of rate.

Mr. FISHER: But in so far as your dealing with the Canadian National Railway is concerned, you never felt that in so far as the rates put forward were concerned you expected to go to the Board of Transport Commissioners and ask for an opinion or judgment in the matter?

Mr. KNORST: No sir.

Mr. LEWIS: This committee will be adjourning soon, and I shall have to leave. So I would like to place my motion before the committee, even though I appreciate that it will not be voted upon this morning.

Mr. BELL (*Saint John-Albert*): I appreciate your suggestion that we might have to hold it over; but we do have with us this morning Dr. Ollivier. Therefore if it is agreeable, Dr. Ollivier might comment on the matter in the way of background and precedent, so that we could take a quick vote and get it over with.

Mr. ARGUE: Let us vote on the motion.

The CHAIRMAN: Mr. Gorman would like to say a word.

Mr. GORMAN: Mr. Chairman and gentlemen: just to clear up one or two points which arose in the earlier questioning, I would like to ask the present

witness first of all whether his company would have any objection, from their point of view, to producing the contract which they may have with either one of the railways with regard to the transportation of their products.

Mr. KNORST: We certainly would, because it would give our competition an unfair advantage, one which we did not have when we negotiated with the railroads. If you saw exactly what the situation was, then you could undercut that same situation.

Mr. FISHER: Would you please explain that to me? I do not follow you.

Mr. KNORST: Very well. They know what the railroad has offered us in constructing the line into the mine. There are other producers which will be coming into Canada, and they will take that as the measure that they in turn should pay, when they go to the railroad and say: how much is it going to cost for you to go into my mine?

But we never had that opportunity. We had to negotiate in the raw. We had no figures to judge by. That is an unfair advantage to give to another competitor.

Mr. LEWIS: Every pioneer finds himself in that position.

Mr. KNORST: That is correct.

Mr. RIDEOUT: Do you foresee other mines starting along that belt?

Mr. KNORST: Yes. I think every producer in the United States will be up in Canada at some time in the future.

Mr. GORMAN: There are two points arising out of the questions asked by Mr. Lamoureux. At one point he said that the deliberations of this committee might be regarded as academic, because some work had already started on the line. At this point, for the record, I would like to point out the wording of section 183 of the Railway Act, which reads as follows:

183. The company may, for the purposes of its undertaking, construct, maintain and operate branch lines, not exceeding in any one case six miles in length, from the main line of the railway or, except as hereinafter provided, from any branch thereof. R.S., c. 170, s. 180.

The evidence is that some construction has taken place here. But the prohibitions in the act are against doing three things. Therefore, there is really nothing wrong in doing some work, so long as the company does not operate; and there is no question that the company is operating a railway at the present time.

The second point which I think should be made is that the Canadian National Railways line is somewhat less than the six miles, therefore they did not have to come before parliament before putting in their line. This is purely an accident of geography that brings the Canadian Pacific before parliament now. If the mine had been located a little further north, the Canadian Pacific would then have no need to seek a special act, and it would be the Canadian National Railways who would then appear before you in the same position, this morning. So to some extent by pure accident the present petitioner is before you; and if the committee asks that the contract in question be produced, it is, to an extent putting the Canadian Pacific Railway at a disadvantage which its competitor does not have.

The CHAIRMAN: Have you any comment to offer, Dr. Ollivier?

Dr. P. M. OLLIVIER (*Law Clerk, House of Commons*): I would like to have a question, first.

Mr. LEWIS: Mr. Chairman, I move, seconded by Mr. Fisher, that the appropriate witnesses of the Canadian Pacific Railway and/or the International Minerals and Chemical Corporation be required to inform the committee fully as to the provisions in the agreement between the two companies concerning

any guarantee or undertaking by the Minerals Corporation to ship a certain minimum amount within a certain period via the Canadian Pacific Railway.

The CHAIRMAN: May I have the motion in writing?

Dr. MAURICE OLLIVIER (*Law Clerk and Parliamentary Counsel*): Mr. Chairman, I think it is up to the committee to decide whether or not these documents should be produced. Whether or not it is fair to ask the witness to do so is up to the committee. Certainly the committee has the power to ask that the documents be produced. I think we had this same question arise in the case of the nationally owned and operated railways when Mr. Gordon was in the chair. I believe Mr. Fisher and Mr. McPhillips will remember that occasion two years ago. I think it was a motion by Mr. Fisher at that time and it was decided by the committee that Mr. Gordon should produce those documents. Whether or not he did, I do not know.

Mr. LEWIS: Did Dr. Ollivier say it was decided that they had to produce them?

Dr. OLLIVIER: Yes. Whether or not they were produced, I do not remember. As I remember it, it was a motion made by Mr. Fisher and Mr. Gordon objected. Finally the committee decided Mr. Gordon must produce them.

Mr. FISHER: That happened.

Mr. TELLET: If my understanding is correct, this is a request for information and not necessarily to produce the documents.

The CHAIRMAN: I will read the motion.

Mr. LEWIS: I deliberately worded it in that way. At the moment I am not concerned with the documents.

The CHAIRMAN: This is the motion, gentlemen: That the appropriate witnesses of the Canadian Pacific Railway and/or of the International Minerals and Chemical Corporation be required to inform the committee fully as to the provisions in the agreement between the two companies concerning any guarantee or undertaking by the International Minerals and Chemical Corporation to ship a certain minimum amount within a certain period via the C.P.R.

Mr. FISHER: Question.

Mr. LAMOUREUX: I take it the whole agreement will not be tabled, just the particulars.

Mr. SMITH (*Simcoe North*): Simply what the agreement says.

Mr. SMITH (*Calgary South*): Obviously the wording is such as to imply that we are not asking for the whole agreement. It is a pretty academic argument. We are really asking for the agreement.

Mr. LEWIS: I am not making any pretensions that there may not be some other information some one may ask for again, but at the moment I am concerned with this information only and I say that that information should not be private.

Mr. GORMAN: May I point out to this committee that last year in the case of Bill No. C-69, which involved the C.N.R. and a branch line to Mattagami lake, this was discussed, I am informed, in the House of Commons. The question was whether an agreement should be produced and it was decided that the C.N.R. in that case should not be required to produce the agreement. The reference I have here is *Hansard*, 1960-61, Volume III at page 2309.

Mr. McMILLAN: Can we find out the percentage that is to go by one railway and the percentage that is to go by the other?

The CHAIRMAN: That question has been asked.

Mr. SMITH (*Calgary South*): I can understand the doctor's confusion.



Mr. GORMAN: I think Dr. McMillan's question can be answered in part at least—

Mr. LEWIS: With great respect to Mr. Gorman, this is an issue of this committee involving a matter of principle and procedure before this committee, and unless Mr. Gorman has any information to give to this committee, or unless any of his witnesses have any information to give, I respectfully submit that the argument on the motion should be for the members of the committee.

The CHAIRMAN: Just a moment. Dr. Ollivier would like to say a word.

Dr. OLLIVIER: I think there is a difference between the precedent that has just been quoted by Mr. Gorman and the one I gave. In the house itself the minister takes the responsibility and the house upholds him. So finally it is the House of Commons itself that decides the document shall not be produced. In this case you do not have a minister to take the responsibility and this committee must take the responsibility itself to say whether or not the document shall be produced.

Some hon. MEMBERS: Question.

Mr. MCPHILLIPS: I would like to speak on the motion. In my opinion the motion is clearly out of order because the motion if it is to be put at all should be a motion for the production of the agreement. This means nothing. This is a motion which if passed would compel witnesses to say things *viva voce*.

Mr. LEWIS: There was a specific question asked as to the amount of the guarantee. The witness said that that was private—he did not use these words, but I understood him to say that unless the committee orders him to give the information he does not feel he ought to give it. The motion deals with that point and is the only information I, as a member of this committee, am interested in. This is the only information which I can see at the moment is relevant to a consideration of the bill before us.

Mr. BELL (*Saint John-Albert*): We all know what this is all about. Let us vote on the question, the effect of which will be to produce what is in the agreement. I am voting, Mr. Chairman, against the motion because I want to be proper in respect of the procedure around here.

The CHAIRMAN: All those in favour of the motion please rise.

Those opposed to the motion please rise.

I declare the motion lost.

Now, gentlemen, we have been sitting for two hours and 20 minutes. Do you wish to meet tomorrow or continue until we finish the bill?

Mr. ARGUE: I move we adjourn.

Mr. FISHER: I second the motion.

Mr. TURNER: There is a certain activity taking place in the province of Quebec which would be prejudicial.

Mr. FISHER: Adjourn until Thursday.

The CHAIRMAN: We have witnesses here. We have gone quite a considerable distance. Of course they have a responsibility to stay, but it is an inconvenience to them if there is no decision made for two or three days.

Mr. BELL (*Saint John-Albert*): I would like to say with all respect, although we are busy ourselves, that we have always tried to accommodate company officials when they have been here. We go out of our way to accommodate the C.N.R. and Mr. Gordon. I suggest that although it would mean a few more minutes at the present time we should try and pass this bill today, otherwise it would mean a holdover for quite a while, as we are unable to sit while the house is sitting.

Mr. FISHER: Mr. Chairman, I have a motion for adjournment.

The CHAIRMAN: A motion for adjournment was moved by Mr. Argue and seconded by Mr. Fisher.

All those in favour of the adjournment?

All those opposed?

Motion negatived.

We will proceed.

Shall the preamble carry.

Mr. ARGUE: Mr. Chairman, if you would entertain it now, I would like to move a motion in regard to inviting the C.N.R. to appear before this committee.

Some hon. MEMBERS: They were asked.

Mr. ARGUE: In order to give the committee the proper perspective in dealing with this bill I think we should hear from the C.N.R. officials. They are very much involved in this, since the building of this railway line obviously is going to affect their business. As well, I would put it forward on another ground, mainly because of the deficit of the C.N.R., which amount the public of this country must advance. In fairness to the committee I think we should have all the information possible. Please understand I am not moving this motion so as to interfere in any way with the blocking of this bill, nor am I opposed in any way to this measure; I am just saying that for the proper consideration of this line, as in the case of any other branch line, this committee should have all the facts, and in order for us to have these facts it is my opinion that we should invite the C.N.R. officials to appear.

The CHAIRMAN: They were notified.

Mr. ARGUE: Mr. Chairman, I move such a motion.

Mr. LAMOUREUX: I second the motion.

Mr. BELL (*Saint John-Albert*): In connection with the motion, I might say that the C.N.R. were invited.

The CHAIRMAN: They were notified.

Mr. ARGUE: But, this committee should invite them.

Mr. BELL (*Saint John-Albert*): All right; to be technical, they were notified. They would be aware of this type of procedure from past experience. They may have had valid reasons for not coming. However, this is a matter which should be discussed with the C.N.R. when they are before the committee which will be sitting in a very few days.

Mr. FISHER: What committee?

Mr. BELL (*Saint John-Albert*): The railway committee.

Mr. FISHER: But that is not this committee.

Mr. BELL (*Saint John-Albert*): That is all right. Mr. Chairman, I suggest that the proper time to examine Mr. Gordon and his official on their failure to act when this notice was received by them would be in that committee and not in this one.

Mr. FISHER: This certainly will be brought up at that committee—and I am referring to the whole question of the C.N.R.'s performance in this situation and what the witness said—but that is not going to help us in terms of this bill, and unless we do have some information from the Canadian National Railway I do not see how I can vote for this bill. I might have the distinction of being on the side of the hon. member for Assiniboia when I say that we have a railway line for which we are responsible and which has been losing money, with a deficit every year, and for which we are going to be passing millions. Mr. Chairman, I cannot see how a member of this house can vote to put a competitor into a situation which is going to worsen our public operator until we know the position and information that can be supplied by the public carrier. I think this is our responsibility.

Mr. SMITH (*Calgary South*): Is it not true that the public carrier, having been aware that this meeting is taking place, could have been represented if he is as much concerned about it as Mr. Fisher is.

Mr. McPHILLIPS: Mr. Chairman, may I speak on this motion. This same situation has come up before. If I may say so, this is simply a slap in the face of parliament itself because parliament has passed these bills over to us; they have been extensively advertised and at great expense to the proponent of the bill. The whole purpose of this is to acquaint anyone concerned so that, if they wish, they can appear here. How ridiculous it is for certain members of this committee to take the attitude they have. In my opinion, it is utter rot and I am not going to vote for it.

Mr. TELLET: Mr. Chairman, it is not a matter as to whether or not the C.N.R. wants to appear; we would like to have this information and we feel we have no other means of obtaining it other than by this method. As I see it, that is the reason for the motion.

Mr. TURNER: Mr. Chairman, I would not be repeating myself if my friends had not earlier. However, I would say again that parliament is not derogatory in this issue in failing to call witnesses. The advertisements were sent out and we must assume that while we have the right to oversee the railway system we do not have the duty to run it. We can only assume the fact that having received notice the C.N.R. officials have decided not to appear or oppose it. They must have decided that this application would not affect detrimentally the revenue from this line.

Mr. LAMOUREUX: I think the statement made by Mr. Turner is gratuitous in that we are not aware that the C.N.R. has not chosen to be here. However, I am sure they must know of this meeting. It has been extensively advertised and if they have chosen for some reason unbeknown to us not to appear here, that is their business. The fact it has been suggested now that they should be here does not mean that we feel there is not a valid reason for them not to be here. Perhaps it is the opposite; maybe they ought to have been here. Perhaps it is our feeling that if they were summoned to be here before this committee it might strengthen our position and intention to vote in favour of this bill and to support it. Now there is no suggestion being made, in supporting Mr. Argue's motion, that it will result in our opposition to the bill; possibly it will have the opposite result. However, it will give us some facts which we feel we should have before we are required to vote for or against it.

The CHAIRMAN: There is a question before the Chair.

It has been moved by Mr. Argue and seconded by Mr. Lamoureux that the C.N.R. be invited to appear before this committee.

All those in favour of the motion?

All those opposed to the motion?

I declare the motion lost.

Preamble agreed to.

Clauses 1 and 2 agreed to.

Title agreed to.

The CHAIRMAN: Shall the bill carry?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Shall I report the bill?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Thank you, gentlemen.

The committee will adjourn to the call of the Chair.





HOUSE OF COMMONS

First Session—Twenty-fifth Parliament  
1962

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* W. MARVIN HOWE, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

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THURSDAY, DECEMBER 6, 1962

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Respecting

Bill C-93, An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from Nepisiguit Junction on the Bathurst Subdivision of the Canadian National Railway in a southerly and westerly direction for a distance of approximately 15 miles to the property of Brunswick Mining and Smelting Corporation Limited.

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INCLUDING THIRD REPORT TO THE HOUSE

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WITNESSES:

Hon. Léon Balcer, Minister of Transport; and Messrs. D. F. Purves, K. M. Ralston, and Pierre Taschereau, Q.C., of Canadian National Railways.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1962

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* W. Marvin Howe, Esq.

*Vice-Chairman:* Marcel Bourbonnais, Esq.

and Messrs.

Addison,	Grills,	Nielsen,
Argue,	Gundlock,	Nugent,
Badanai,	Hodgson,	Ormiston,
Baskin,	Horner ( <i>Acadia</i> ),	Pascoe,
Beaulé,	Howe,	Phillips,
Bélanger,	Lamoureux,	Rideout,
Bell ( <i>Saint John-Albert</i> ),	Leboe,	Robichaud,
Benidickson,	Legaré,	Rock,
Bourbonnais,	Lewis,	Ryan,
Bradley,	MacEachen,	Rynard,
Byrne,	MacEwan,	Sams,
Cameron ( <i>Nanaimo-Cowichan-The Islands</i> ),	Mackasey,	Sauvé,
Chevrier,	Maltais,	Smith ( <i>Calgary South</i> ),
Cook,	Marcoux,	Smith ( <i>Simcoe North</i> ),
Crouse,	McCleave,	Stenson,
Drury,	McDonald ( <i>Hamilton South</i> ),	Tucker,
Dupuis,	McMillan,	Turner,
Fisher,	McNulty,	Valade,
Gauthier,	McPhillips,	Webb,
Granger,	Mitchell,	Winch—60.

Dorothy F. Ballantine,  
*Clerk of the Committee.*

CORRECTION (English copy only)

PROCEEDINGS NO. 1—Tuesday, November 13, 1962.

*In the Minutes of Proceedings and Evidence—*

*Page 19, Lines 43 and 44 should read:*

“... the passing of this bill would *not* be detrimental to its revenue.”

*Page 39, Lines 17 and 18 should read:*

“... that Parliament is not *derogating from its duty* in this issue...”



## ORDERS OF REFERENCE

MONDAY, December 3, 1962.

*Ordered*,—That Bill C-91, An Act to amend Freight Rates Reduction Act, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

*Ordered*,—That Bill C-59, An Act to approve an Agreement between the Government of Canada and the Government of the Province of Ontario respecting Public Harbours, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

*Ordered*,—That Bill C-93, An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from Nepisiguit Junction on the Bathurst Subdivision of the Canadian National Railway in a southerly and westerly direction for a distance of approximately 15 miles to the property of Brunswick Mining and Smelting Corporation Limited, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, December 5, 1962.

*Ordered*,—That the names of Messrs. Drury and McNulty be substituted for those of Messrs. Teillet and Garland on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,  
*Clerk of the House.*

## REPORT TO THE HOUSE

THURSDAY, December 6, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### THIRD REPORT

Your Committee has considered Bill C-93, An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from Nepisiguit Junction on the Bathurst Subdivision of the Canadian National Railway in a southerly and westerly direction for a distance of approximately 15 miles to the property of Brunswick Mining and Smelting Corporation Limited, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issue No. 2) is appended.

Respectfully submitted,

W. M. HOWE,  
*Chairman.*

## MINUTES OF PROCEEDINGS

THURSDAY, December 6, 1962.

(3)

The Standing Committee on Railways, Canals and Telegraph Lines met at 11:10 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

*Members present:* Messrs. Badanai, Beaulé, Bell (*Saint John-Albert*), Bradley, Chevrier, Cook, Crouse, Drury, Dupuis, Fisher, Gauthier, Grills, Hodgson, Horner (*Acadia*), Howe, Lamoureux, Legaré (*Rimouski*), Lewis, MacEwan, Marcoux, McCleave, McMillan, McNulty, McPhillips, Mitchell, Nugent, Pascoe, Rideout, Rock, Ryan, Rynard, Sams, Sauvé, Smith (*Simcoe North*), Tucker, Turner, Webb (37).

*In attendance:* The Honourable Léon Balcer, Minister of Transport; *From the Department of Transport:* Mr. G. A. Scott, Assistant Deputy Minister; *From the Canadian National Railways:* Mr. D. F. Purves, Assistant Vice-President, Research and Development; Mr. K. M. Ralston, Assistant Chief of Development and Mining Engineer; Mr. Pierre Taschereau, Q.C., Assistant General Solicitor.

Mr. Turner asked that certain corrections be made in the evidence of the committee meeting of Tuesday, November 13, 1962 (*Issue No. 1*). The members agreed to the corrections.

The members proceeded to the consideration of Bill C-93, An Act respecting the Construction of a line of railway in the Province of New Brunswick by Canadian National Railway Company from Nepisiguit Junction on the Bathurst Subdivision of the Canadian National Railway in a southerly and westerly direction for a distance of approximately 15 miles to the property of Brunswick Mining and Smelting Corporation Limited.

### *On Clause 1*

On the invitation of the Chairman, the Minister of Transport made a brief statement on the purpose of the Bill, and introduced the officials of the Canadian National Railways and of the Department of Transport.

Mr. Balcer was questioned, assisted by Mr. Purves, Mr. Ralston, and Mr. Taschereau.

During the questioning, Mr. Cook posed questions in French to the Minister dealing with the date set for completion of construction of the branch line. The attendance of French shorthand reporters and interpreters not having been requested beforehand by the committee, the Minister did not deal with the questions as posed by Mr. Cook. Thereupon, the Clerk of the Committee, being so instructed by the Chairman, attempted to secure the services of the appropriate personnel.

*Clauses 1 to 8, the Schedule and the Title* were severally carried; the Bill was adopted without amendment.

*Ordered:* That Bill C-93, be reported to the House without amendment.

At 12:30 p.m., the Committee adjourned, to meet again on Tuesday, December 11, 1962, at 9:30 a.m.

Dorothy F. Ballantine,  
*Clerk of the Committee.*





## EVIDENCE

THURSDAY, December 6, 1962.

The CHAIRMAN: Gentlemen, we have a good turnout this morning. I see a quorum and I would ask you to come to order.

Three bills have been referred to us for consideration by this committee. I think it would be wise for us to proceed with Bill C-93 at this time.

Mr. TURNER: Mr. Chairman, on a matter of privilege, I would like to make a correction in the record of the minutes of the meeting of Tuesday, November 13, 1962, at page 19.

I am reported as saying:

...the passing of this bill would be detrimental to its revenue.

What I did say was:

The passing of this bill would not be detrimental to its revenue.

Then, at page 39, I am reported as saying:

However, I would say again that parliament is not derogatory in this issue in failing to call witnesses.

What I did say was:

However, I would say again that parliament is not derogatory of its duty in this issue.

The CHAIRMAN: Gentlemen, is it agreeable that these corrections be made?

Some Hon. MEMBERS: Agreed.

Mr. BELL (*Saint John-Albert*): I am glad I do not have a classical education.

Mr. SMITH (*Simcoe North*): I thought what Mr. Turner meant was derogating from its duty, not derogatory.

Mr. TURNER: Yes. I forgot what I did say, Mr. Chairman.

The CHAIRMAN: The first bill is C-93, respecting the construction of a line of railway in the province of New Brunswick by the Canadian National Railway Company.

I will call clause 1:

On Clause 1: *Construction and Completion.*

As the industry expects to bring its mine and mill into production for the movement of traffic by January, 1964, they have requested rail service not later than that date. The railway is of the opinion that it will take approximately one year to construct the line and therefore they wish to start with the preparation of the right of way this winter, which will give some employment to workmen in the area.

When production has been established at the No. 12 property, the company plans to consider the exploitation of a large base metal deposit on its No. 6 property, five miles to the south, and also the possibility of constructing a lead and zinc smelter in New Brunswick.

The CHAIRMAN: Mr. Purves, do you have a statement to make?

Mr. D. F. PURVES, (*Chief of Development, Canadian National Railways*): Mr. Chairman, Mr. Minister and members of this committee, the dotted line on this map indicates approximately where the proposed spur line goes. The line which I am now indicating is the main line and the port to which this traffic will go will be Dalhousie, up here on the bay.

Our estimated cost \$1,450,000 is developed from a location survey made on the ground. We would hope to get started this winter with the first clearing, thereby enabling us to finish this part of the construction before the spring thaw sets in. It is our hope to get the whole job completed by about January of 1964. It is possible that some last ballast could be put in after the line is open for operation, and this fits in with the industry's plan.

As the minister mentioned, we have a traffic guarantee from the industry, which protects us on our fixed charges. All costs, maintenance and operating, interest on new capital investment and so on, will be recovered.

I do not know whether or not there is much point in giving a detailed review of the type of country we are going through. This is rolling country, fairly well timbered and, while it will not necessitate heavy construction, it is not a flat country as in the prairies.

The CHAIRMAN: Does anyone wish to ask a question of Mr. Purves?

Mr. DRURY: You have indicated, Mr. Purves, on this map where the Canadian National Railways spur line will run; could you tell me whether there is a Canadian Pacific Railway line in this area?

Mr. PURVES: It does not come anywhere near there.

Mr. LEWIS: Thank God, or you would have it taken away from you.

Mr. Bell (*Saint John-Albert*): Do not say anything about the C.N.R., Mr. Lewis.

Mr. LEWIS: If you had listened the last time you would not have what we have now in Saskatchewan.

The CHAIRMAN: Are there any further questions?

Mr. Bell (*Saint John-Albert*): Mr. Chairman, I would like to ask one question out of personal curiosity. There was an old railway line from Bathurst into the Nepisiguit river; it was one of the oldest private railway lines in North America. I think the engine or something burned and, just to satisfy my own interest, could you tell me what happened and if this line is going to follow that general route?

Mr. PURVES: We are going to use about three miles of the old right of way. Of course, it will have to be completely rebuilt. However, there is no worry in acquiring the right of way.

The CHAIRMAN: Mr. Balcer, will you introduce the witnesses for us. Also, I understand you have a short statement which you would like to make.

The Hon. LEON BALCER (*Minister of Transport*): Yes, Mr. Chairman. I had a short statement prepared for second reading; however, things moved so fast in the house that I did not have a chance to make it the other night. I intend to read it now. However, before I do so I would like to introduce to the committee the witnesses who are here this morning. I am sure these witnesses will be pleased to answer any questions in connection with this bill.

The witnesses who are present are Mr. Pierre Taschereau, Q.C., assistant general solicitor of the C.N.R.; Mr. D. F. Purves, chief of development, C.N.R.; Mr. K. M. Ralston, assistant chief of development and mining engineer and, on my immediate left, Mr. George Scott, assistant deputy minister of the Department of Transport.

Mr. Chairman, this bill is to authorize the Canadian National Railway Company to build a 15 mile branch line from Nepisiguit Junction, which is near Bathurst, in the province of New Brunswick. This new branch will extend



in a southerly and westerly direction to the property of Brunswick Mining and Smelting Corporation Limited, known as project No. 12, located approximately in the middle of the western half of the parish of Bathurst, Gloucester county, New Brunswick. As mentioned when the resolution was before the house, the cost to construct the line is estimated at \$1,450,000, being at the rate of \$96,667 per mile.

Bathurst Mining and Smelting Corporation Limited has expended substantial sums of money in proving deposits of zinc and lead ore in this area of New Brunswick. On the project No. 12 property alone they have proved reserves of 29,000,000 tons of zinc and lead ore which contains some copper and silver. The company is currently preparing No. 12 property for production. Their plans include the installation of mining and milling plants, having a capacity of 3,000 tons of ore per day. It is estimated that the annual shipments over the proposed branch line will be about 315,000 tons of zinc and lead concentrates to the port of Dalhousie for furtherance to Europe, where it will be sold under long term contracts. In addition, it is estimated that the company will produce annually about 5,000 tons of copper concentrate, for which detailed marketing arrangements have not yet been completed.

The mining company and the railway have reached agreement on the arrangements for handling this traffic, under which the industry has given a guarantee that it will ship a minimum volume of traffic over the line for at least ten years and that appropriate penalties will be paid if in any year during the term shipments should fall below the minimum volume agreed to.

Let me again say that this project merits support as one which should improve the net position of the Canadian National as well as contribute to the development of the area concerned. The company estimates that from 400 to 500 people will be employed at the peak of construction and that when normal operations are undertaken the work force engaged will be of the order of 300 to 325 people. No townsite is planned and it is expected the employees will live in Bathurst.

Mr. BELL (*Saint John-Albert*): If an individual wants to go fishing at the best fishing spot in North America he will be able to catch a ride on the C.N.R. instead of travelling on the branch line as he must now?

Mr. MACEWAN: Mr. Chairman, will C.N.R. section men be used in the construction of this line, or will local labour be used, or a combination of both?

Mr. PURVES: I think that the construction up to the point of track laying and ballasting will probably be done by local contract.

Mr. MACEWAN: In that event local labour will be employed?

Mr. PURVES: Yes, I think that will be the case because it will be advantageous to do so.

Mr. LEWIS: Mr. Chairman, in the schedule to the bill there are figures showing that the average cost per mile in respect of this construction will be \$96,666.00. Is that a less than average cost per mile of constructing a new line or a more than an average cost, or how does it compare? Is there such a thing as an average cost?

Mr. PURVES: It is very difficult to give an average because your computation depends on the items you include when figuring your average. This is the average cost in respect of this type of line in this type of country. Because of the type of haul, 100 pound steel will have to be used rather than 60 pound steel. The steel will have to be 100 pound because of the anticipated heavy traffic and weight of cars traversing the line. It is very hard to strike a comparison between the cost of this type of line and lines in other parts of Canada. We could build a line for very much less if a different type of construction was involved.

The maximum grade involved is 1.2 per cent while other sections involve a grade of .5 per cent, which gives us a very good class of construction.

Mr. CHEVRIER: How does this average cost compare with other railway lines that have been completed within the last five years, particularly with reference to the cost per mile?

The CHAIRMAN: The minister has some figures before him showing the costs of construction in respect of recently completed branch lines.

Mr. RIDEOUT: Mr. Chairman, perhaps the best comparison in this regard would be a comparison between the cost of this line and the cost of the 25 mile branch line to the Heath Steele mines line which was recently completed.

Mr. PURVES: That line was constructed at an average cost of \$109,000 per mile.

Mr. HODGSON: How long is this intended line?

Mr. PURVES: This line will be 15 miles in length.

Mr. HODGSON: What are the main resources involved in the construction of this branch line?

Mr. PURVES: The main resources involved are lead and zinc concentrates, and this involves a relatively short haul.

Mr. RIDEOUT: Mr. Chairman, would it be fair to state that the proposal to construct this branch line is a result of the progressive thinking on the part of the local government?

Mr. PURVES: I would think that the progressive thinking of that government has had a good deal to do with this proposal.

Mr. BADANAI: Mr. Chairman, is there a highway running parallel to the proposed location of this branch line?

Mr. K. M. RALSTON (*Assistant Chief of Development and Mining Engineer—C.N.R.*): Yes, Mr. Badanai, there is a highway running parallel into that location.

Mr. BADANAI: Is pulp and paper timber being hauled over that highway at the present time?

Mr. RALSTON: Yes.

Mr. BADANAI: I suppose the main purpose of the construction of this line is the establishment of competitive transportation?

Mr. PURVES: That was my thought, yes.

Mr. HODGSON: There have been four or five branch lines taken up in my riding and I am now wondering whether there is any guarantee that this company will supply enough material over a number of years to make the construction of this branch line economical?

Mr. PURVES: The usual contract guarantee has been spelled out. The concentrate will be given to us to handle to a specific destination, and failure to meet the agreed level of traffic will necessitate the levying of a penalty, again in terms of so much per ton.

Mr. HODGSON: I suppose the logical result of that will be that the company will go broke after about five years?

Mr. PURVES: The individuals behind this whole proposal are putting a good deal of money into it and I would be surprised if they go broke. The amount they are investing is several times the amount we are investing.

Mr. COOK: (French):

Mr. BALCER: (French):

Mr. COOK: (French):

Mr. BALCER: (French):

The CHAIRMAN: Gentlemen, we do not have a French shorthand reporter in attendance.

Mr. SAUVE: I hope this whole matter is not going to be started again. Surely it is possible to have a French shorthand reporter in attendance?

Mr. BALCER: We definitely will provide the services of a French shorthand reporter.

Mr. SAUVE: Surely it is possible to have a French shorthand reporter.

The CHAIRMAN: I am sorry that this difficulty has occurred but there is always a first time in each committee.

Mr. COOK: I should like to ask the minister whether after December, 1964—(French)

Mr. BALCER: (French):

Mr. FISHER: Mr. Chairman, do we have witnesses from the company in attendance?

Mr. BALCER: We have three witnesses in attendance.

Mr. FISHER: I was referring to witnesses from the mining and smelting corporation.

The CHAIRMAN: No, we do not have witnesses from the corporation in attendance.

Mr. FISHER: Is there anyone from the company in attendance who can tell us more about the company's plans? For example, I should like to know whether this company is a subsidiary of a larger organization. I should also like to know something more about that company's financing.

Mr. LEWIS: I should also like to know something about the rate to be established.

The CHAIRMAN: I understand Mr. Ralston will answer those questions, Mr. Fisher.

Mr. RALSTON: Mr. Chairman and hon. members, the New Brunswick Mining and Smelting Company is a subsidiary of three rather substantial interests, namely, Maritimes Mining, which is actually the majority shareholder; the Patino Corporation of Canada, and the K.C. Irving interests of Saint John. Those are the three parties chiefly behind this proposal.

In respect of financing, the debt capital to the extent of eleven and a half million dollars is being supplied by a company in Belgium. This is a world-wide company named Societe Generale des Minerals; \$8 million is being furnished by the K. C. Irving interests, making a total of \$19½ million. If anything more is required the K. C. Irving interests have undertaken to supply the remainder. Does that answer your question?

Mr. FISHER: I should like to know what the scale of the mining is in terms of employees, tonnage and mill capacities?

Mr. RALSTON: The company is actually engaged at this moment in constructing a mill with a capacity of 3,000 tons of ore per day which will yield a total of about 320,000 tons of concentrates per year.

Mr. FISHER: Has this particular group any means of doing the smelting of this ore in Canada?

Mr. RALSTON: No.

Mr. FISHER: Has this group made any arrangements or carried on any negotiations to have these concentrates smelted in Canada?

Mr. RALSTON: The company has a sales contract with the party that is investing about \$11½ millions in debt capital—that is, Societe Generale des Minerals—to market the lead and zinc concentrates amounting to approximately



315,000 tons per year for a period of twelve years, except such concentrates that might be required after 1968 for a smelter that may be built in the province.

Mr. FISHER: What is the total picture at the present time?

Mr. RALSTON: They have three properties: this one known as No. 20, this one known as No. 6 and this one known as No. 12. On this one, they have done pretty exhaustive work and they have not found anything. So that one has been rejected.

Mr. LEWIS: Which one?

Mr. RALSTON: No. 20, the southernmost one. On No. 6 they have reserves of about 28.3 million tons, and on No. 12—that is the one we are particularly concerned with today—the reserves are 29.3 million tons to a depth of 1,400 feet at the north end and at the south end to a depth of about 1,000 feet. That does not mean it ends there; that is as far as they have proved the ore. So that between these two properties they have something in the order of 57 million tons.

Mr. FISHER: In comparable terms, how does the Canadian National Railways set the future and prospects of this particular operation as compared with Geco Mining in northern Ontario?

Mr. RALSTON: Of course, Mr. Fisher—and this is my personal opinion as a mining engineer—I regard Geco as one of the leading mines in the country. It has been established and proved. Now, it is hardly right to compare something that has been established and proved and operating for some years with something that is just starting and still has to get on its feet. We have examined this property and we have been very close to it since its inception in the early 1950's, and while no one can predict the future price of base metals—in fact I do not suppose there is any form of human activity that has caused more embarrassment to more shrewd and experienced men than attempting to predict the price of base metals, because there are so many variable and unknown factors—as far as we can reasonably see, this property should be a profitable enterprise and the people who are going into it and who are putting up the money must also think so. It has certain very favourable factors. It is very close to the sea. For example, just as a matter of comparison with Geco, the transportation costs of zinc concentrate from Geco to the market in Europe, to Belgium for example, is about 1.6 cents per pound of metal, whereas the transportation cost of zinc from this property—that is zinc metal in the forms of concentrate—is about 0.6 cents per pound of metal. So you see, they have a tremendous advantage by reason of their location.

Mr. CHEVRIER: Are all of these concentrates going to Belgium?

Mr. RALSTON: At the moment, yes. They hope later that if conditions warrant it they will build a smelter. In fact they have an arrangement with the province of New Brunswick that if they start construction of a smelter by the end of 1963, the province has undertaken to guarantee the bonds—that is bonds for the construction of the smelter—up to \$20 million. Of course, the end of 1963 is only a year away. This arrangement was made some years ago, so the probability is that they will not start construction and that they will get an extension to that arrangement.

Mr. FISHER: Is this the same Belgian organization that was involved in the Congo base metal properties?

Mr. RALSTON: Yes.

Mr. FISHER: Is this one of the reasons why they are proceeding with it, that this has a relationship to the difficulties which have developed there and the fact that the quantity of production is not coming through from the Congo?

Mr. RALSTON: I should not have said that it is the same company although it is part of the same group. The main company concerned in the Congo is

Union Minière de Haut Katanga. These people are the Société Générale des Minérales. These two are very closely associated.

Mr. CHEVRIER: Is this the parent company of Miron Freres in Montreal?

Mr. RALSTON: Yes.

Mr. FISHER: How does this organization compare in financial strength with, say Noranda?

Mr. RALSTON: Well, of course, Brunswick Mining and Smelting Company was incorporated in 1952, and they have had no actual mining experience but they are getting together a very good organization. I do not think we need have any fears on that score. Of course they are not to be compared with Noranda. Again, you can not compare a very large mining organization, one of our very leading organizations which has been operating since the 1920's, with an organization which is just starting.

Mr. FISHER: Do you know whether this Belgian organization has played a part in the world copper organization which sets the price of copper and arranges for quotas of production?

Mr. RALSTON: Well, I do not know that anyone particularly sets the price of copper except the law of supply and demand. If there is a surplus in copper, the price goes down, and if there is a shortage of copper—as we had very markedly in 1955 and 1956—the price of copper goes up. The price of copper went up to 46 cents on this continent during those years—the mid-1950's—and in Europe it rose as high as 50 cents. That was brought about as a coincidence of three factors: American stockpiling, demands of business, and at the same time large strikes. So you had a shortage and at the same time you had a strong demand.

Mr. FISHER: In the event that world price is such that they decide to postpone or severely limit production, have you any guarantees other than the ones on tonnage which would give you any returns to cover your capital?

Mr. RALSTON: Our guarantee specifies that within six months after the line is authorized by the board of transport commissioners for operation the company has to start shipping ore, or at least if it does not ship it has to pay a penalty, and that penalty is designed to cover our fixed charges.

Mr. FISHER: Will there actually be money set aside for a penalty, or will the penalty come about in the form of higher rates for the tonnage?

Mr. RALSTON: Oh, no; if they do not produce six months after the line is in, they will have to pay a certain penalty per ton for a guaranteed tonnage over the year, and that goes on each year. It is designed to give us sufficient money to cover our fixed charges, that is, interest on our capital, and our fixed maintenance.

Mr. LEWIS: Can you give us what the guaranteed tonnage is?

Mr. RALSTON: There is no sinister or deep dark secret about it, but after all, this is an agreement between Brunswick Mining and Smelting Corporation and ourselves, and it is not wholly our property. So I would hesitate to give it out without securing their permission. The fact is, the industry, as you can understand, has to live in a competitive world, and they would hardly like to have their private arrangements exposed to their competitors.

Mr. LEWIS: I will have something more to say about that in a moment; but may I just phrase my question differently. I am not just being curious. But you are coming before parliament seeking a certain right, and certain loans of capital. I do not need to tell Mr. Ralston that I am a supporter of the Canadian National Railways rather than otherwise, and that I am not trying to block what you are trying to do. But I think you have a duty to persuade this committee and parliament that the steps taken by the railway adequately



protect the interests of the Canadian people and the rights which you are asking parliament to give you. It is within the framework of Mr. Fisher's questions and I am now asking you this question. We were told that there was a certain guaranteed tonnage per year. In my opinion it is your duty to tell this committee what this guarantee means in terms of financial return to the Canadian National Railways; what part of the outlay it is intended to cover, and how much beyond the carrying charges it is intended to cover, and so on, so that we would know what guarantee there is for the capital which you are asking for.

Mr. RALSTON: I quite agree. After all, the Canadian National Railways are owned by the people of Canada, and as members of parliament you are the representatives of the people of Canada, who are in the position of shareholders. Of course, the Canadian National is a company which is owned by the people of Canada, and therefore you should have the right to know the details.

Mr. LEWIS: Well how about giving them to us?

Mr. RALSTON: I am afraid that life is not always quite as simple as black and white. We would have no objection to disclosing these figures individually and in absolute confidence; but to publish them—I am afraid it would be on our part a breach of confidence with respect to the company with whom we dealt, and we could suffer very grave disabilities if we did that kind of thing.

I say this because if it were a case of a choice between the Canadian Pacific and the Canadian National, and if the Canadian Pacific did not have to apply to parliament for a branch line, then, naturally, industry would go to the Canadian Pacific knowing that the Canadian National would have to disclose private arrangements between the railway and the company.

Mr. LEWIS: I have given Mr. Ralston an opportunity to give the information in another way. Whether or not I am satisfied with his answer, is something else again.

Mr. RALSTON: I am sorry. I thought you asked me for the actual figures.

Mr. LEWIS: No. The reason I asked the question was to find out the information as to what extent, and in what way the capital which the Canadian National Railways is asking for will be protected. I do not care if you give me the precise number of tons, but can you indicate the amount of money?

Mr. RALSTON: The amount of money of what?

Mr. LEWIS: Which guarantees the rights for the first ten years, or the elements in the outlay which guarantee, or are intended to cover it. I do not care which way you do it.

Mr. TURNER: I wonder whether Mr. Lewis would be satisfied if Mr. Ralston should say that the guarantee was of an amount sufficient to protect the interest involved.

Mr. RALSTON: As to the guarantee, if anything should happen that the industry, for any unforeseen reason, had to close down and did not ship anything over this line—in that case they will have to pay a penalty each year, which will amount to sufficient to cover our fixed charges, and which is based on the interest on our capital and our maintenance expense. That is what the guarantee and the penalty are designed to do.

Mr. SAUVE: Why is it then that the company is not building the railway itself? Why is it that the Canadian National Railways is to invest \$1½ million if there is no risk involved?

Mr. RALSTON: I am not saying that there is no risk. I never said that, and I do not wish to imply it. We say in effect to the industry: you will give us a guarantee; first, as an earnest of your intention; second to show that you are not fly-by-night operators,—because if we do not require a guarantee, we would be beset by all manner of requests; and third, as a safeguard of our fixed charges.



Mr. SAUVE: You said that the investment would be in the vicinity of \$19½ million, as the total investment of the company.

Mr. RALSTON: Yes, that will be the total investment from this year: If you include the money already spent—about \$7 million—you could say that the company's total investment will be something in the order of \$25 million to \$26 million.

Mr. SAUVE: Why could they not have put in or added to their investment \$1½ million and built their own railway, as did some of the companies in northern Quebec?

Mr. RALSTON: Mining companies do not usually want to be bothered or saddled with the operation of a railway. They prefer to leave it to the railways, and we are very happy about it. They prefer to leave it to the people who are in the business.

You mentioned Northern Quebec railways, but they are rather special cases; they do not join any other railway; they are purely and simply iron-ore railways which extend from the deposits down to the closest port on deep water. You simply have a shuttle service, with the cars going back and forth.

Mr. SAUVE: Do you intend to carry passengers from Bathurst to the mine?

Mr. RALSTON: No.

Mr. SAUVE: Then how is it that the minister said that the miners and the people working in the mine would live in Bathurst?

Mr. RALSTON: They would go back and forth in buses. It is only 25 miles between the mine and Bathurst, and there is an excellent gravel road with a hard surface. There will be regular bus service, as has developed in similar cases. I don't think there will be any difficulty about this matter.

Mr. SMITH (*Simcoe North*): The ocean terminus of this railway is at Dalhousie?

Mr. RALSTON: Yes.

Mr. SMITH (*Simcoe North*): Is that on the Bay of Chaleur?

Mr. RALSTON: No, it is not the ocean terminus of the railway.

Mr. SMITH (*Simcoe North*): I should have said port terminus.

Mr. RALSTON: It will be the port which the mining company will ship their concentrates to for export overseas to Belgium. This line (our main line) is already in existence and the concentrates will move out over the proposed branch line along here, and thence to Dalhousie Junction and into Dalhousie a total distance of about 80 miles.

Mr. SMITH (*Simcoe North*): Will it require a new dock and facilities at Dalhousie?

Mr. RALSTON: Yes.

Mr. SMITH (*Simcoe North*): And they will be built by the federal government?

Mr. RALSTON: The company and the government are now in negotiation on that point.

Mr. SMITH (*Simcoe North*): With winter shipping in the Bay of Chaleur, does it require ice breaking?

Mr. RALSTON: The records of the past 5, 8, to 10 years have shown that we can now regard Dalhousie virtually as an open port. Sometimes the International Paper Company has found that they have to do a little ice breaking with tugs around their docks, but anything in the way of a heavy ice breaker is not required.

Mr. SAMS: I would like to follow up the questions asked by Mr. Lewis. I presume that this guarantee between the company and the railroad is in the form of a written contract.

Mr. RALSTON: Yes.

Mr. SAMS: Is there any bonding to guarantee the performance of this contract? What financial guarantee is there? Is it merely a written contract and if things came to the worst and the company found it could not meet its obligations, what guarantee is there then that the penalties will be paid?

Mr. RALSTON: We have no bonding.

Mr. SAMS: Is it not the usual practice to do this with a company?

Mr. RALSTON: No. Mind you, if we had any doubt about the integrity of the company or its capacity to pay, of course we would require a bond, but in this case we considered the matter, the people behind it, and the very large capital involved and were satisfied.

Mr. BELL (*Saint John-Albert*): I would like to ask a question in follow-up of the question asked by Mr. Fisher. I do not wish to trace the corporate structure of the company, but is it not a fact that Patino as well as Sogemines will supply a great deal of mining and managerial experience to this organization and, in fact, the present president of this company is one of the heads of Patino.

Mr. RALSTON: Yes. The president of Brunswick is Mr. E. R. E. Carter of Toronto, who is also president of Patino.

Mr. CHEVRIER: You referred to an agreement or a contract earlier. Is there any objection to producing that agreement?

Mr. RALSTON: You mean the traffic agreement?

Mr. CHEVRIER: Yes: the one that is under discussion between the Canadian National Railways and the mining company.

Mr. RALSTON: As I have said, I do not see how we could have any objection to showing it to hon. members individually, of course on the distinct understanding that it would be confidential, but we would not like it to become public knowledge because after all it is not wholly our property; it is the property of the mining company, too.

Mr. CHEVRIER: There is no objection to showing it to individual members.

Mr. RALSTON: Provided it is regarded as a confidential document.

Mr. CHEVRIER: Does that apply also to the freight rate?

Mr. RALSTON: The freight rate will be published.

Mr. CHEVRIER: What is the freight rate?

Mr. RALSTON: The freight rate is \$1.70 per short ton, subject of course to any adjustments authorized by the board of transport commissioners and subject also to negotiation if our costs go up.

Mr. CHEVRIER: Is that amount, in the words by which you have described it, contained in the agreement.

Mr. RALSTON: Well, actually the agreement says nothing whatever about the freight rate. The agreement merely covers the tonnage to be shipped. It covers the annual tonnage to be shipped, and if the company is deficient in that tonnage, then it will pay us a penalty of so much per ton.

Mr. CHEVRIER: Then I take it that the freight rate just mentioned has been agreed upon through an oral understanding.

Mr. RALSTON: We quoted the freight rate, had certain discussions about it, and the company has agreed to it; yes.

Mr. LEWIS: It is an agreed rate?

Mr. PURVES: It will be published in the same way as any other rate is published, Mr. Chevrier.

Mr. CHEVRIER: I wanted to know if the witness knew what the freight rate is at this time.

Mr. RALSTON: It will amount to about \$1.70 per short ton; that is, from the property along the proposed branch line and the main line to Dalhousie, 80 miles.

Mr. LEWIS: \$1.70 per ton for 80 miles.

Mr. RALSTON: Yes.

Mr. LEWIS: What had you calculated as fixed charges? What do you calculate your fixed charges at for a year?

Mr. RALSTON: We took our capital charges and the current interest rate on that, plus our fixed maintenance.

Mr. LEWIS: What does it all add up to? What amount are the fixed charges and the maintenance estimates?

Mr. RALSTON: Well, Mr. Lewis, you could ask one, two, three, four or five questions, and in the end you would have the terms of the agreement.

Mr. PURVES: The difficulty arises in that by asking, and receiving a reply to, one, two, three, four or five questions, you not only would have the particulars of the traffic guarantee, but it would also go away beyond that. If this involved a great many commodities being handled for a great number of shippers, this would not be too worrisome; but here it is one main industry we are serving, and one main item of traffic, and we are most reluctant to reveal to the general public the details about costs.

Mr. LEWIS: This is sheer nonsense, if you will forgive me. If your company, or the C.P.R. as the yardstick, appears before the board of transport commissioners, or any other body investigating what is the proper rate, or making any other investigation, do you not—and I have seen this—produce the figures of your cost, maintenance, and all the other things which add up to what you consider is the desirable rate? They are not secret in your drawers.

Mr. RALSTON: This is rather a different case. Here we have been negotiating with one company and after these negotiations we have arrived at an agreement which is a matter between that company and ourselves. Are you suggesting, Mr. Lewis, that we should perpetrate a breach of confidence in giving all these details? As I say, I quite agree with your general premise that as hon. members and representatives of the people of Canada who own Canadian National Railways you are entitled to certain information. In an attempt to satisfy that principle, with which I am in agreement, and at the same time the principle of keeping a confidence between two parties to an agreement, we say that we will show you the agreement in confidence individually, but not in public.

Mr. LEWIS: I am not trying to satisfy my curiosity. I think the people of Canada are entitled to this information. I am not interested in seeing any document I am supposed to keep to myself. This is the kind of burden I do not intend to take and it is not the kind of temptation I would want to be under.

Mr. RALSTON: Surely you can see our difficulty, Mr. Lewis.

Mr. LEWIS: Then I think you should go back to the company and say to them that the members of the committee want to know what the total amount of the guarantee is and how it breaks down between the fixed charges and the estimated maintenance, and find out whether the company objects to your giving us those figures.

Mr. RALSTON: The company would probably object. They would say, "Why should the details of our agreement be made public when with respect to other branch lines this information has not been disclosed? Why should we be placed at a disadvantage?"

The CHAIRMAN: Are you finished, Mr. Lewis.



Mr. LEWIS: I see no purpose in arguing.

Mr. RYAN: Mr. Chairman, I would like to ask a couple of questions of Mr. Ralston.

Mr. Ralston, in connection with this contract with Brunswick Mining and Smelting and in respect of the penalties and other guarantees involved, are they backed by the covenants of K. C. Irving, Société Generale des Minerals and another company which, at the present time, I do not recall.

Mr. RALSTON: No. These companies are in the position of large shareholders and this agreement is not endorsed by them.

Mr. RYAN: Are there any personal covenants by anyone else?

Mr. RALSTON: No.

Mr. RYAN: Is Brunswick Mining and Smelting a fairly new company?

Mr. RALSTON: It was incorporated in 1952 and, since then, it has been investigating its properties in this area and has done a substantial amount of work. Up to the end of 1961 it did a great deal of investigation with diamond drilling and made very exhaustive tests on the ore. It has expended about \$7 million in exploration and metallurgical research.

Mr. RYAN: Could you tell me what would be the current estimated market value per ton?

Mr. RALSTON: With respect to No. 12 property, the estimated reserves are 29.3 million tons.

Mr. RYAN: But could I have it in dollars per ton; would it be \$30, \$8, or what amount?

Mr. RALSTON: I could give you that figure, but in base metal deposits we don't like to talk about gross value, since it can be very misleading. You might have a gross value of \$50 a ton which would seem very good, but you have to take into consideration such factors as metal recoveries, mining, milling, and capital costs, smelter charges and transportation charges.

Mr. RYAN: Is there any recognized economic base value per ton?

Mr. RALSTON: Well, you treat each case on its merits and with reference to the conditions at the time. You have to take into consideration many variables, as well as the smelting arrangements you are able to make.

Mr. RYAN: Is this a rich ore body which should stand up over the years?

Mr. RALSTON: No, not rich. It is about 6.6% zinc, 4.5% lead, about  $\frac{3}{4}$  of one per cent copper and 2.1 ounces of silver per ton, which is fairly good. The reason it has not been developed before was mainly because of the refractory nature of the ore. It is very difficult to treat. However, after extensive experiments and research by various technical organizations, including the Department of Mines in Ottawa, the Battelle Memorial Institute, and the laboratories of American Cyanamid, and St. Joseph Lead Company, it was found possible to evolve an economic process which will produce zinc, lead and copper concentrates with economic grades and recoveries.

Mr. McPHILLIPS: Mr. Chairman, I would like to ask a question in regard to the right-of-way; in this respect are you going to deal with private owners or is this all crown land

Mr. RALSTON: The first three miles will be along the right of way of the old Northern New Brunswick and Seaboard Railway; the other twelve miles will be across crown land on which the timber rights are held by Bathurst Power and Paper Company. We have been in touch with the province and we have been assured that there will be no difficulties about the right-of-way.

Mr. McPHILLIPS: Mr. Chairman, does the company hold options at this time?

Mr. RALSTON: Are you referring to options on rights of way?

Mr. McPHILLIPS: Yes.

Mr. RALSTON: No.

Mr. McPHILLIPS: I see.

Mr. RALSTON: We do not expect any trouble in this matter because the province wants the mine to go ahead. The route of the proposed line is mainly on crown lands.

Mr. McPHILLIPS: The figure given in the schedule deals with construction only and I am wondering how much of that cost applies to the acquisition of the right-of-way, or is that cost included in this figure at all?

Mr. RALSTON: Yes, that cost is included in the construction figure.

Yesterday I was in touch with the real estate department of our Atlantic Region, which is handling this matter of the acquisition of right-of-way. Our real estate manager in this region informed me that he has the assurance of the province that the right-of-way will be made available to us for one dollar per acre.

Mr. DRURY: Mr. Chairman, Mr. Ralston stated that the penalties involved were intended to take care of the fixed charges which are defined as interest and cost of maintenance. I am wondering whether the question of amortization has been considered in this regard.

Mr. RALSTON: If we charged penalties on the basis of fully servicing the capital we would be taking no risk whatsoever, apart from the risk of the company going bankrupt, but our attitude has been that we are prepared to share the risk. We feel that we are partners in the development of the country and as such we are willing to take a certain risk. However, for the reasons I have mentioned we do require a traffic guarantee.

Mr. DRURY: Is this the same type of arrangement you have with the Consolidated Mining and Smelting Company in respect of the Great Slave lake line?

Mr. RALSTON: The arrangement with respect to that line is quite different. This railway is not one of our branch line applications.

Mr. BALCER: That development involved a government railway.

Mr. DRURY: Surely there was a precedent established in that case?

Mr. CHEVRIER: We are aware of the details and the decision of the Canadian National Railways not to go ahead with that development.

Mr. BEAULE: How many carloads per day will the railway handle?

Mr. RALSTON: The designed scale of operation is 3000 tons of ore per calendar day, which after treatment will yield a total of approximately 320,000 tons of the three concentrates per year. That is to say, there will be 190,000 tons of zinc concentrate, 125,000 tons of lead concentrate, both of which will go to the Belgian smelters, and a small amount of copper concentrate amounting to about 5,000 tons.

Mr. BEAULE: You have not answered my question. How many cars do you expect to handle per day?

Mr. RALSTON: I have not computed that figure, but this material will be shipped in gondolas which hold about 70 to 75 tons. We expect to carry approximately 1,000 tons per week day, making a total of 6,000 tons per week. Dividing 6000 by 70 gives a figure of approximately 10 to 12 cars per week day.

Mr. BEAULE: Do you expect to have a profit charging \$1.70 per ton handling 10 cars per day?

Mr. RALSTON: We would not be before this committee, sir, if we did not expect to make a profit.

Mr. SAUVE: If a company wishes to have a siding alongside its plant, who will pay the cost of that siding?

Mr. RALSTON: That cost will be covered under a standard private siding agreement. We will build the line up to the edge of the plant area and from there on the cost will be covered under the standard private siding agreement. A substantial amount of trackage will be required because there are three products and three tracks are involved.

Mr. SAUVE: I understand the company would have to pay for such a siding?

Mr. RALSTON: Yes.

Mr. SAUVE: In that event the railway would operate the cars on that siding?

Mr. RALSTON: The railway would come into the siding with a string of empties, give the company one spot without switching and then pull out the loaded cars.

Mr. SAUVE: Why is it not possible to extend that principle in respect of other lines similar to this one? Is there any reason why the company wanting such a service should not pay for the 15 mile line?

Mr. RALSTON: Are you referring to the private siding agreement?

Mr. SAUVE: Could a similar agreement be established in this regard?

Mr. RALSTON: Actually there is no legal disability involved at all. If a company requests the railway to build a 100 mile line under a private siding agreement we could do so.

Mr. SAUVE: Surely there is some advantage to a company in having such an agreement? What is the advantage involved in doing it in the proposed way?

Mr. MCPHILLIPS: The company involved does not have to get into the railway business.

Mr. SAUVE: We are not asking the company to get into the railway business. We are asking the company to make an investment enabling the Canadian National Railways to provide such a service. I suggest that if the practice involved in this proposal is followed in respect of every case the Canadian National Railways will find itself in a difficult position.

Mr. RALSTON: Practically all our lines constructed in recent years have shown substantial profits.

Mr. MARCOUX: Mr. Chairman, I do not very often agree with Mr. Lewis, but on a matter of principle I should like to refer to the question he has asked. The problem to which he has referred is one with which we in this committee have been faced in respect of the C.N.R. If there was a matter of competition involved we certainly would understand why the disclosure of the figures in question should not be permitted. However, in regard to this proposed branch line, the question of competition is not involved and I feel that consideration should be given to the unveiling of figures regarding the guarantees. We had this situation before us regarding similar figures in respect of proposals where both the C.P.R. and C.N.R. were involved, but in this case the C.N.R. is by itself. I feel if the disclosure of such figures is not to be made we should be given more details.

Mr. BALZER: Mr. Chairman, I realize that this matter has been discussed by the members of this committee almost every year. However, it has been our practice that when an officer of the C.N.R. informs members of the committee that the disclosure of certain information will be detrimental or damaging to the interests of the C.N.R., that statement has been accepted.



The reason for the acceptance of such a statement simply lies in the fact that the railway has different guarantees with different companies. Sometimes these guarantees are profitable and at other times are less profitable and if a witness is forced to give information of this type, one can be assured that private companies will attempt to negotiate agreements favourable to themselves and disadvantageous to the C.N.R. For this reason the witnesses feel that it would not be advantageous to supply this information.

I am quite sure, as the witness has stated earlier, if a member wishes to have information on a private basis that information will be provided.

Mr. CHEVRIER: Mr. Chairman, I do not very often agree with the minister, but I think I must agree with him under these circumstances, having occupied a position similar to his. I should like to inform this committee that it has been the practice of this committee, as well as of another committee, not that the Canadian National Railways should not give information, but that if the C.N.R. through its officers and its witnesses states that the giving of such information is going to be harmful to their competitive position, to accept that statement. Perhaps there is additional information which could be given to meet the requirements of Mr. Lewis and Doctor Marcoux, but if the witness states that he cannot give this information because it will be harmful to this crown corporation, we should accept that position.

Mr. RIDEOUT: Mr. Chairman, I should like to make a comment as a resident of New Brunswick. A great deal has been said recently in the House of Commons in respect of development boards. I think this proposal involves an attempt to develop the natural resources of the province of New Brunswick. The provincial government has spent a great deal of time in this regard and has allied the interests of other financial individuals such as K. C. Irving. I think the members of this committee should expedite the consideration of this bill because, as the witness has stated, the construction of this line will create a great deal of employment in my constituency where hundreds of individuals have been laid off in recent years by the railway. I think this bill involves an advantageous proposal and I suggest that we should expedite its passage.

Mr. CROUSE: As shareholders of the Canadian National Railways, as has been pointed out earlier, I think we are all interested in the value of this type of proposal. The witness has stated that the production of concentrates will be in excess of 300,000 tons per year and that the line will receive \$1.70 per ton for the handling of this material. You have already given us considerable information. Gross revenue will be in excess of half a million dollars and your outlay is approximately a million and a half dollars. You have a chance in three years of operation to bring back your million and a half dollars. The company in question has a twelve-year contract and so, in my estimation, you have nine years in which to make a profit. It sounds to me like a very profitable deal. As a maritimer I would like to ask a question: is there stock in the company which we could buy?

Mr. LEWIS: I want to make something clear on the same point.

Mr. HORNER (*Acadia*): Could we have an answer to the member's last question with regard to whether the stock is open or whether this is a closed company? He was referring to Brunswick Mining and Smelting.

Mr. LEWIS: I am not interested in the hon. member's personal financial transactions.

Mr. RALSTON: Gross earnings from the shipment of the concentrates—that is to say at \$1.70 per ton—will be \$545,000 per year, and incoming supplies in the order of 8,000 tons per year will give us gross revenue of \$161,000, or a total of \$706,000, without taking into account additional revenue that will

almost certainly accrue to us from the fact of having about 300 more people employed in the area plus the families and all the supplies for the additional population. That is the position as far as our gross revenues are concerned.

As to the stock, the Brunswick Mining and Smelting Corporation is a public company listed on the Toronto Stock Exchange. The shares can be purchased at something like \$3.50 to \$4 per share, I believe. The authorized capitalization as of June 1962 was 7.5 million shares (\$1.00 per share par value), of which 6 million shares were issued.

Mr. LEWIS: As a new member of parliament, I am learning that from time to time one has to reiterate the fact—

Mr. SMITH (*Simcoe North*): Do not hide your light under a bushel. You have plenty of confidence.

Mr. LEWIS: I was not talking about confidence nor about tips nor anything else. I am learning that one has to repeat every day that one is in favour of virtue, and therefore it is necessary for me I suppose to underline the fact—as other members have—that I am of course happy at the development in New Brunswick and I am entirely in agreement with the fact that the C.N.R. should build this line. What concerns me is that I have a feeling that information that the railway has—and perhaps Mr. Taschereau could tell us what information the railway would have to give to the board of transport commissioners if it came there for a rate of adjustment or similar information—is not being made available to this committee now or in other cases in which similar questions were asked. Is it not a fact that if you went to the board of transport commissioners for a change in the rate from \$1.70 to \$1.90, you would have to show details justifying that increase? In showing those details you would have to tell the board what your cost of operation is, and in doing so you would have to tell them what the fixed charges of a part of that may be. Surely that information would have to be given. Why can that information not be given here? If I am wrong about the kind of information you will have to give to the board of transport commissioners, I would be delighted to be corrected.

Mr. TASCHEREAU: Mr. Lewis, my comments would be that we do not ask the board to file a rate, and it is in force until it is disallowed. The question of disallowance of the rate would be brought up normally on complaint from the shipper. This, of course, has not arisen. The industry has stated that it is satisfied with the present rate and it is satisfied that if there is an increase in the cost to the railroad there should be a renegotiation leading to a higher rate. The information therefore is not likely to develop unless the shipper were to make a complaint.

Mr. LEWIS: If you asked for an increase which the shipper did not agree with, you would have to justify your request by giving the board of transport commissioners in a public hearing the kind of information I have asked for. Is that not right, Mr. Taschereau?

Mr. TASCHEREAU: I think we would endeavour to resist giving information to the shipper, but we would certainly have to give the information to the board.

Mr. LEWIS: Precisely.

Mr. TURNER: On a confidential basis.

Mr. LEWIS: It is not confidential; I have seen it. My point is that it is an insult to parliament—I repeat that it is an insult to parliament—to refuse to give information to the committee which the railway has to give to a body appointed by parliament for a certain purpose.

Mr. SMITH (*Simcoe North*): Mr. Lewis is misleading the committee. If there is an application before the board of transport commissioners, it will be on behalf of the company, one party to the agreement. Therefore, they will be asking, or will be going into this, knowing full well that they have to make the information public if they want to make use of an application before the committee. That is perfectly true.

Mr. LEWIS: This is the kind of legal hair splitting of which I as a lawyer do not approve.

Mr. BADANAI: I wish to ask a question concerning—

The CHAIRMAN: Order. Will you repeat your question, Mr. Badanai?

Mr. BADANAI: I am asking Mr. Ralston if the heavy pulpwood timber limits adjacent to the proposed line was a major consideration in the decision to construct this line in addition to the proposed ore development.

Mr. RALSTON: No, sir, it was not. We looked into the question of pulpwood possibilities, and we found there was very little likelihood that we would get any pulpwood business. The line is only 15 miles long, and the Bathurst Power and Paper Company has timber limits along the Nepisiguit river, and they drive from an area about 60 to 70 miles from the mouth; moreover, in the Pabineau valley which the proposed line would cross, the timber is second growth softwood and hardwood of pulpwood size, which would move to the company's mill by truck. They have roads through the area, and they are organized for haulage by truck.

Mr. BADANAI: What is the distance by road to the mill?

Mr. RALSTON: The distance by road—the road goes across here—is about 25 miles.

Mr. BELL (*Saint John-Albert*): I see it is nearly 12:30, Mr. Chairman, and I assume you would like to get this through before we adjourn. I only want to say that as far as the witnesses are concerned, I wish to compliment them personally, because I think they have been very straightforward in their answers.

Mr. Ralston made the points about railway procedure and internal management very clear to me. I do not object to Mr. Lewis' questions about the matters which he has in mind. But I still think that some of them should have been brought before the railway committee. In any event, I hope that this matter of inquiring into certain private matters which are confidential in the railway will be forgotten today.

I was delighted to see Mr. Fisher agree with Mr. Balcer and Mr. Chevrier, who has had experience in these matters before. Mr. Lewis talks of insulting parliament. I take very strong objection to that, because we do have certain procedures in the committee which have been laid down through the years, and I intend to do my best to see that they are continued and adhered to.

I agree with Mr. Rideout that this is a measure which will help to develop New Brunswick, and in a French speaking area there which certainly needs it. So let us get on with it!

The CHAIRMAN: Do you have any questions, Mr. Drury?

Mr. DRURY: Not now.

Mr. LEWIS: If I have no question, it is not because Mr. Bell has intimidated me. Let me say that I intend to pursue this again, and every time I think it is necessary.

Mr. HORNER (*Acadia*): Mr. Lewis says that he will pursue it. My point is that it is not necessary, in view of the fact that Mr. Ralston stated clearly that the capital will be returned within two years, and that they will have the balance of the 10 years to make it up. It looks like a mighty sound investment to me, and all we are doing from now on is just educating ourselves.



The CHAIRMAN: Are there any further questions?

Mr. LAMOUREUX: Is the freight rate part of the agreement, or is it just a verbal understanding?

Mr. RALSTON: No sir; the freight rate is separate and distinct from the traffic guarantee. The freight rate is not in the traffic guarantee. The traffic guarantee has to do solely with the amount of tonnage which the company undertakes to ship out per year over a specified period of years, with the provision that if it does not ship at that specified level of tonnage, it will have to pay a certain penalty per ton of deficiency.

Mr. LAMOUREUX: Then the freight rate of \$1.70 is only a verbal understanding you have now with the company?

Mr. RALSTON: It is a little more than that. We have had discussions and correspondence with them, and they have accepted this rate.

Mr. FISHER: A number of people have been making statements. I wish to draw to the attention of the members that this committee has been functioning ever since 1868. It is a committee which has approved every line of public railway in Canada. All you have to do is look at the record of what has happened to the railways, with all the duds, and bankruptcies with which the country has been saddled, including the Canadian National Railways. I realize that a little bit of vigilance in the past might have had something to do with the profit situation. But for anyone to argue tradition in this case, it seems to me, is nonsense.

Mr. TURNER: I take the same position—as was sought by Mr. Lewis and myself today—with respect to the Canadian National Railways; and I take the same position with respect to the Canadian Pacific, so it is not an argument really regarding two different interests.

Clauses 1 to 8 agreed to.

The CHAIRMAN: Shall the schedule carry?

Schedule agreed to.

The CHAIRMAN: Shall the title carry?

Title agreed to.

The CHAIRMAN: Shall the bill carry?

Bill agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Agreed.

The CHAIRMAN: I see it is now 12:30. We have two other items of business now before this committee, and I suggest, if it is agreeable, that we meet again at 9:30 on Tuesday morning.

Mr. FISHER: In relation to the Freight Rate Reduction Act, the Canadian Trucking Association is anxious to make representations. I wonder whether you expect the individual members to invite them to come here?

The CHAIRMAN: They have already intimated to me that they wish to appear. One of their representatives was here this morning ready to proceed.

Mr. FISHER: I take it to be decided that it will be the Freight Rates Reduction Act on Tuesday morning at 9:30?

The CHAIRMAN: That is right.

Mr. CHEVRIER: Whom do you intend to call?

The CHAIRMAN: The trucking association has asked for permission to appear.

Mr. CHEVRIER: I mean who will be appearing on behalf of the government as witnesses?

The CHAIRMAN: The Board of Transport Commissioners and officials and officers of the Department of Transport.

HOUSE OF COMMONS

First Session—Twenty-fifth Parliament

1962

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

TUESDAY, DECEMBER 11, 1962  
WEDNESDAY, DECEMBER 12, 1962

Respecting

Bill C-91, An Act to amend the Freight Rates Reduction Act

WITNESSES:

The Hon. Leon Balcer, Minister of Transport; Messrs. Rod Kerr, Q.C., H. W. Ellicott, and A. S. Kirk, of the Board of Transport Commissioners; Messrs. John Magee and George H. Montague of the Canadian Trucking Associations, Incorporated.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1962

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* W. Marvin Howe, Esq.

*Vice-Chairman:* Marcel Bourbonnais, Esq.

and Messrs.

Addison,	Granger,	Mitchell,
Argue,	Grills,	Nielsen,
Badanai,	Gundlock,	Nugent,
Baskin,	Hodgson,	Ormiston,
Beaulé,	Horner ( <i>Acadia</i> ),	Pascoe,
Bélanger,	Howe,	Phillips,
Bell ( <i>Saint John-</i>	Lamoureux,	Rideout,
<i>Albert</i> ),	Leboe,	Robichaud,
Benidickson,	Legaré,	Rock,
Bourbonnais,	Lewis,	Ryan,
Bradley,	MacEachen,	Rynard,
Byrne,	MacEwan,	Sams,
Cameron ( <i>Nanaimo-</i>	Mackasey,	Sauvé,
<i>Cowichan-The</i>	Maltais,	Smith ( <i>Calgary South</i> ),
<i>Islands</i> ),	Marcoux,	Smith ( <i>Simcoe North</i> ),
Chevrier,	McCleave,	Stenson,
Cook,	McDonald ( <i>Hamilton</i>	Tucker,
Crouse,	<i>South</i> ),	Turner,
Drury,	McMillan,	Valade,
Dupuis,	McNulty,	Webb,
Fisher,	McPhillips,	Winch—60.
Gauthier,		

Dorothy F. Ballantine,  
*Clerk of the Committee.*



ORDER OF REFERENCE

MONDAY, December 3, 1962.

*Ordered*,—That Bill C-91, An Act to amend the Freight Rates Reduction Act, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.



## MINUTES OF PROCEEDINGS

TUESDAY, December 11, 1962.

(4)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:40 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

*Members present:* Messrs. Argue, Badanai, Baskin, Beaulé, Bélanger, Bell (*Saint John-Albert*), Bradley, Byrne, Cook, Crouse, Gauthier, Granger, Grills, Gundlock, Horner (*Acadia*), Howe, Leboe, Legaré, Lewis, MacEwen, Marcoux, McCleave, McDonald, McMillan, McPhillips, Mitchell, Pascoe, Robichaud, Ryan, Rynard, Sams, Sauvé, Smith (*Calgary South*), Smith (*Simcoe North*), Tucker, Turner, Stenson, Webb, Winch—(39).

*In attendance:* The Honourable Leon Balcer, Minister of Transport; *From the Department of Transport:* Mr. G. A. Scott, Assistant Deputy Minister; *From the Board of Transport Commissioners:* Mr. Rod Kerr, Q.C., Chief Commissioner; Mr. H. H. Griffin, Assistant Chief Commissioner; Mr. A. S. Kirk, Commissioner; Mr. H. W. Ellicott, Director of Traffic; Mr. M. E. Burwash, Director of Economics and Accounting; *From the Canadian Trucking Associations, Inc.:* Mr. R. R. Ramsay, President; Mr. John Magee, Executive Secretary; Mr. George H. Montague, Economic Consultant; Mr. Benoit Savard, Assistant to the Executive Secretary.

*In attendance and interpreting:* Miss P. Cyr, Parliamentary Interpreter.

The members proceeded to the consideration of Bill C-91, An Act to amend the Freight Rates Reduction Act.

*On Clause 1.*

On the invitation of the Chairman, the Minister of Transport introduced the officials of the Department of Transport and the Board of Transport Commissioners.

Mr. Kerr made a brief statement.

Mr. Balcer was questioned, assisted by Mr. Kerr, Mr. Ellicott, and Mr. Kirk.

Mr. McGee presented a brief on behalf of the Canadian Trucking Association, Incorporated. Copies of the brief were distributed to the members, and copies in English and in French were filed with the Clerk of the Committee.

Following a discussion on the necessity for further questioning of the witnesses, on motion of Mr. Horner, seconded by Mr. Turner,

*Resolved,*—That the Committee sit tomorrow morning (December 12) at 9:30.

At 12:30 p.m. the Committee adjourned, to meet again on Wednesday, December 12, 1962, at 9:30 a.m.

WEDNESDAY, December 12, 1962.

(5)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:30 a.m. this day. The Chairman, Mr. W. M. Howe, presided.



*Members present:* Messrs. Addison, Argue, Baskin, Beaulé, Bélanger, Bell (*Saint John-Albert*), Benidickson, Bradley, Byrne, Chevrer, Cook, Fisher, Gauthier, Grills, Hodgson, Horner (*Acadia*), Howe, Lamoureux, Leboe, Legaré, Lewis, MacEwan, Marcoux, McCleave, McDonald, McPhillips, Pascoe, Robichaud, Rock, Ryan, Rynard, Smith (*Calgary South*), Smith (*Simcoe North*), Stenson, Tucker, Turner, Webb, Winch—(38).

*In attendance:* *From the Department of Transport:* Mr. G. A. Scott, Assistant Deputy Minister; *From the Board of Transport Commissioners:* Mr. Rod Kerr, Q.C., Chief Commissioner; Mr. A. S. Kirk, Commissioner; Mr. H. W. Ellicott, Director of Traffic; Mr. M. E. Burwash, Director of Economics and Accounting; *From the Canadian Trucking Associations, Inc.:* Mr. R. R. Ramsay, President; Mr. John Magee, Executive Secretary; Mr. George H. Montague, Economic Counsel; Mr. Benoit Savard, Assistant to the Executive Secretary.

*In attendance and interpreting:* Miss P. Cyr, Parliamentary Interpreter.

The members resumed consideration of Bill C-91, An Act to amend the Freight Rates Reduction Act.

*On Clause 1.*

Mr. Magee, on behalf of the Canadian Trucking Associations, Incorporated, read into the record an addendum to the brief presented the previous day. Copies were distributed to the members and a copy was filed with the Clerk of the Committee.

Mr. Magee was questioned, assisted by Mr. Montague.

On motion of Mr. Smith (*Calgary South*), seconded by Mr. Leboe,

*Resolved*,—That six members to be appointed by the Chairman do compose, with the Chairman, the subcommittee on Agenda and Procedure.

At 10:45 a.m. the Committee adjourned, to meet again on Thursday, December 13, 1962, at 9:30 a.m.

Dorothy F. Ballantine,  
*Clerk of the Committee.*

## EVIDENCE

Tuesday, December 11, 1962.

The CHAIRMAN: Gentlemen, we have a quorum. This morning we have before us Bill No. C-91, an act to amend the Freight Rates Reduction Act.

I will call clause 1 and then ask the Minister of Transport to introduce the witnesses who are here from the board of transport commissioners.

On clause 1—*Extension of time.*

The Hon. LEON BALZER (*Minister of Transport*): Thank you, Mr Chairman. This morning we have with us Mr. Rod Kerr, the chief commissioner of the board of transport commissioners; Mr. M. E. Burwash, director of the economics and accounting branch of the same board, and Mr. George Scott, assistant deputy minister, Department of Transport. These three gentlemen are here and ready to answer questions. I have asked Mr. Kerr, if it is agreeable to the committee, to give a broad outline of the main topics of this bill.

The CHAIRMAN: Mr. Kerr, please.

Mr. ROD KERR, Q.C. (*Chief Commissioner, Board of Transport Commissioners for Canada*): Mr. Chairman, appearing with me also is the assistant chief commissioner, Mr. H. H. Griffin, Commissioner Kirk, and the director of traffic, Mr. Ellicott.

I would like also to say before I speak about the bill that we had a freight rates case this morning, one dealing with agreed charges, and there are counsel present from Saskatchewan and Alberta and other parts of Canada. I had to choose between coming here and remaining in the courtroom to hear that case. I thought I should be here to be of any assistance I can to this committee. Perhaps before I am through here I will wish I had remained in the courtroom.

There is not very much I can add to what already has been said in respect of this bill and its predecessors, but if it would be helpful to the committee I shall give a brief résumé.

The original Freight Rates Reduction Act was passed in July, 1959; it is chapter 27 of that year and became effective on July 8. That increase related to a general freight rates increase of 17 per cent that the board of transport commissioners had permitted in the latter part of 1958. The board's judgment and its order, No. 96300, were dated November 17, 1958. An appeal to the governor in council was dismissed by order in council P.C. 1958/1596 dated November 26, 1958. The increased rates came into effect on December 1, 1958.

The purpose of the Freight Rates Reduction Act was to roll back that increase. The act authorized \$20 million for that purpose. The rollback was to be for a period not exceeding 12 months and applied to the normal non-competitive class rates and commodity rates that were taking the full 17 per cent increase on the day the act came into force. The board thereupon ordered the companies to roll back the 17 per cent increase to 10 per cent on the traffic concerned and the reduced rates at the 10 per cent level became effective on August 1, 1959.

After some months of experience with the rollback the board saw that it would be possible to make a further reduction in the rates. Accordingly, it ordered the 17 per cent increase to be reduced to 8 per cent on the traffic concerned. This further reduction to the 8 per cent level became effective on May 6, 1960. The 12 months period prescribed in the act was extended by

parliament in 1960 for 9 months, and \$15 million was added to the amount provided by the act; this was chapter 42 of 1960. This carried it forward to April 30, 1961. The board then ordered continuation of the 8 per cent level during the extended period. In 1961, the period was again extended by parliament for 12 months to April 30, 1962, and another \$20 million was added; this was by chapter 29 of 1961. The board again ordered continuation of the 8 per cent level to April 30, 1962. The board had no power under the act to order the companies to continue the reduced rates beyond April 30, of this year, but the companies have continued this voluntarily ever since that date.

The companies have been paid for traffic carried prior to April 30 last, but no payments have been made to the companies in respect of traffic carried subsequent to that date. This bill, if it becomes law, will permit the federal treasury to pay the companies in respect of traffic carried by them at the 8 per cent level since April 30 last and during the remainder of the period set out in the bill. Payments to the companies are made on the basis of the difference between the 17 per cent level and the 8 per cent level on whatever traffic is carried at the 8 per cent level. This 8 per cent level has been in effect since May 6, 1960. The act is basically for the benefit of shippers and receivers of the freight, whichever of them pays the freight charges.

The federal treasury pays the companies, but only to the extent that the companies have been compelled by the board, pursuant to this act, to reduce their rates. The companies receiving payment are those that were authorized to increase their rates by the 17 per cent order No. 96300 and were ordered by the board to reduce them pursuant to the Freight Rates Reduction Act.

I may add that the original act and its two previous extensions were examined by this committee and by the standing committee on transport and communications of the Senate, and on each occasion were explained at considerable length. I have not attempted to be repetitive or to go into matters that have been dealt with and explained in detail previously. I will not do so unless this committee desires. Consequently, I have given what I think is a broad general picture of the act, its purpose and history.

The CHAIRMAN: Thank you, Mr. Kerr. Has the committee any questions?

Mr. COOK: Could you tell me how many companies benefited from the act and who they are?

Mr. KERR: The following are the companies and the amounts they have received for the 33 months during which the reductions were in force by virtue of the act, that is until April 30 of this year.

Canadian National Railways .....	\$29,056,401.83
Canadian Pacific Railway .....	21,255,824.91
Algoma Central and Hudson Bay Railway ..	282,550.74
Midland Railway of Manitoba .....	51,516.63
Northern Alberta Railways .....	625,914.87
Ontario Northland Railway .....	799.09
Toronto, Hamilton and Buffalo Railway ....	136,858.45
Great Northern Railway .....	12,613.86
New York Central System .....	102,536.70
Chesapeake and Ohio Railway .....	94,579.69
Wabash Railway .....	24.42
Canada & Gulf Terminal Railway .....	24,222.25
Napierville Junction Railway .....	8,665.76
Canada Steamship Lines .....	275,974.10
Total .....	<u>\$51,928,483.30</u>



Mr. MARCOUX: I have something to say on this point. I see here Canada Steamship Lines, which is not a railway company. I see here also the New York Central System and the Chesapeake and Ohio Railway which do not seem to be Canadian companies. I would like to know why these companies have no subsidies on the transport rates?

Mr. KERR: These were companies authorized to increase their rates by 17 per cent. Canada Steamship Lines joined with the railways on those rates. These are joint rates applying to rail and water, and Canada Steamship Lines, along with the railways, increased the joint rates pursuant to the order. They were ordered to reduce their rates from the 17 per cent level to the 8 per cent level.

In so far as the New York Central System and the other lines mentioned are concerned, these are also railways operating in Canada. They applied the 17 per cent increase pursuant to the order of the board, and the traffic that is affected by these rates is Canadian traffic carried over these lines in Canada. If they had not reduced their rates from 17 per cent to 10 per cent and then to 8 per cent, then presumably they would still be carrying the traffic at the 17 per cent level and the Canadian shippers who are moving the traffic over the lines would be paying the higher rates instead of the 8 per cent rate.

Mr. MARCOUX: Does any part of the subsidies go into the trucking business?

Mr. KERR: The subsidy is just to meet the reduction in rates. The rates were 17 per cent and then they were reduced to 8 per cent. The railways get 8 per cent from the shipper and the difference from the federal treasury, bringing them up to 17 per cent which was authorized and which was in effect.

Mr. MARCOUX: Does this apply to the trucking traffic?

Mr. KERR: No.

Mr. SMITH (*Calgary South*): Is this not a fairly academic reply? When you take the financial structure of the railway company, surely the total unit, the railway company and the trucking units, benefit, perhaps indirectly but still benefit, from the subsidy as such?

Mr. KERR: If they were not getting this subsidy they would be getting the 17 per cent from the railway shipper.

Mr. SAMS: On the over-all picture?

Mr. KERR: On the traffic which was being carried at the 17 per cent rate.

Mr. HORNER (*Acadia*): Is there any particular list of commodities to which this reduction applies more than to others?

Mr. KERR: It applies generally to the non-competitive traffic, and revenue-wise it applies to about 30 per cent of the total revenue traffic.

Mr. WINCH: Do you have a clear definition as to what is meant by non-competitive traffic in your terminology?

Mr. KERR: There is a definition in the Railway Act but that does not help us very much. It has been defined from time to time before this committee but it is very difficult to get away from the railway terminology in describing the rates. Commissioner Knowles, who was here on previous occasions, defined it.

Mr. WINCH: Could we have your definition?

Mr. KERR: Non-competitive class rates and non-competitive commodity rates are rates to which the subsidy applies. Class rates are the maximum rates that the railways can charge; they apply to about 8,000 articles in the Canadian freight classification. High class manufactured articles are the principal articles shipped at class rates.

Commodity rates are lower than the class rates. They apply on bulk commodities and other articles which are shipped in large quantities such as steel, sand and gravel, lumber, pulpwood, fruits and vegetables, ores, cement, wood pulp, newsprint paper, canned goods, sugar and so forth.

Mr. HORNER (*Acadia*): I have one other question with regard to this point. You said 30 per cent of the traffic; is this 30 per cent of the gross haul or 30 per cent of the commodities?

Mr. KERR: It is 30 per cent of the revenue.

Mr. McPHILLIPS: You mentioned Northland. I suppose Northland comes in because it connects with the other lines but it is not under your jurisdiction.

Mr. KERR: Part of it is. The Nipissing Central is part of the Northland and Nipissing Central is a federal railway because it crosses the Ontario and Quebec boundary. That part of Northland is under our jurisdiction.

Mr. McPHILLIPS: But generally Northland qualifies for this because they are a connecting line.

Mr. KERR: Just in respect of Nipissing Central.

Mr. COOK: Could you tell me if some companies' directors salaries are paid from the same subsidy?

Mr. KERR: I would not know that.

Mr. SMITH (*Calgary South*): I wonder whether I could ask you a question on the relationship between this bill and vote 213A? It reads:

Interim payments, related to recommendations of the royal commission on railway problems pending its complete report, etc., \$50,000,000.

What is the relationship between these two votes?

Mr. KERR: I do not feel I am qualified to answer that, Mr. Smith. They are two separate bills.

Mr. SMITH (*Calgary South*): Perhaps the minister can comment on the relationship between these two?

Mr. BALCER: As was explained, this is the Freight Rates Reduction Act and its purpose is to carry on this rollback policy and compensate the railways for the loss or the difference between 8 and 17 per cent. Fifty million dollars is an item in the estimates to allow the railways for a period up to the implementation of the recommendations of the MacPherson report.

Mr. LEWIS: I suppose the line between the competitive and the non-competitive traffic is becoming more broad?

Mr. KERR: There has been a trend that would indicate that more and more non-competitive traffic is going into the competitive traffic class category.

Mr. LEWIS: I suppose some of these which you have found to be in the non-competitive category are now in the competitive category?

Mr. KERR: That is right. Perhaps I can give you some information that would be helpful in this respect, using the board's waybill analysis figures as a statistical basis. I have obtained figures which would divide the revenue for 1961 into four main categories: the grand total freight revenue of class 1 railways for 1961 was \$845 million approximately, and of this total the revenue from grain and grain products at statutory and related rates was \$77.3 million, which was 9.1 per cent of the total revenue. This traffic represented 27.3 per cent of the total ton miles. The second category is class and commodity non-competitive traffic, and the total of this was \$260.9 million which was 30.9 per cent of the total revenue and 23.5 per cent of the total ton miles. The third category was revenue from traffic at agreed charges and competitive rates, and this was \$292.4 million, 34.6 per cent of the total revenue and 21.2 per cent of the total ton miles. The last category is revenue from traffic at international rates, and this was \$214.4 million, 25.4 per cent of the total and 28 per cent of the total ton miles.

Mr. LEWIS: Do you pay once a year, Mr. Kerr, or do you do it periodically?

Mr. KERR: We pay monthly as the bills come in under the Freight Rates Reduction Act. Those are always two or three months late coming in because they have to be collected at the railway offices and put in order there, and then they are sent to the board.

Mr. HORNER (*Acadia*): I wonder if Mr. Kerr could give the committee some idea as to why a large amount of money is needed for this particular year; \$75 million as compared to \$20 million in 1959, when this all started.

Mr. KERR: That is just the aggregate total. Each year some amount was added.

Mr. HORNER (*Acadia*): That is the aggregate total going back the full 33 months.

Mr. KERR: Yes.

Mr. MARCOUX: It means, with all the subsidies which the C.N.R. receives from other sources from the government, that the amount is about \$173 million, from the Canadian people through the government.

Mr. KERR: I have not made the calculation of all the subsidies.

Mr. MARCOUX: But according to the figures I have here, besides this \$75 million, there is about \$170 million.

Mr. ARGUE: Could you tell us to what extent trucks, if at all, are engaged in the hauling of similar goods to those affected by this bill? This is for goods hauled by the railways and the goods are non-competitive, so on the face of it the trucks would not be in this business at all. I am just wondering if they are in this business of hauling these goods?

Mr. KERR: There might be trucks hauling sand and gravel.

Mr. ARGUE: You think there might be some in the trucking industry?

Mr. KERR: I think the trucking industry is engaged in carrying some traffic similar to this traffic, but they do not share in the subsidy. The only traffic which shares in this subsidy is traffic carried by the railways.

M. GAUTHIER: Je voudrais poser une question monsieur le président. Depuis le début, on parle du "CN", on semble vouloir dire que leur système de camionnage n'est pas inclus dans le rapport. Est-ce réel? Est-ce qu'on traite exclusivement du "CN" où si l'on traite du "CNR" et de son organisation de camionnage? C'est ça que je voudrais savoir.

L'hon. M. BALCER: Le projet de loi que nous avons devant nous, monsieur Gauthier, tend à compenser les chemins de fer pour la perte qu'ils subissent à cause de la différence entre l'augmentation réclamée de 17 p. 100 et l'augmentation de 8 p. 100.

Comme vous le savez la Commission des transports leur a accordé le droit d'augmenter les "taux de fret" de façon raisonnable sur certains taux de 10 à 17 p. 100. Le gouvernement, à la suite de représentations des provinces, de corps publics et d'expéditeurs, a décidé d'obliger les chemins de fer à réduire cette augmentation de 17 à 10 p. 100, et par la suite à 8 p. 100. Les 20 millions de dollars que nous payons sont pour compenser les chemins de fer pour la perte qu'ils ont subie à ce moment-là.

M. GAUTHIER: Quand vous employez l'expression "chemins de fer", est-ce que vous parlez du service secondaire de camionnage que les chemins de fer possèdent?

L'hon. M. BALCER: Seulement dans les cas où il y aurait, parmi les marchandises qui sont transportées, des marchandises qui étaient touchées par cette augmentation de 17 p. 100. S'il y a des marchandises qui étaient transportées par camion et qui ont été touchées par cette augmentation de 17 p. 100. Alors, dans ces cas-là, une partie des 20 millions s'applique à ce trafic.



M. GAUTHIER: Croyez-vous que cette réduction ait touché le système de transport du National-Canadien dans la province de Québec, dans les années qui viennent de passer?

L'hon. M. BALCER: Définitivement.

M. GAUTHIER: Maintenant, si elle touche le système routier . . .

L'hon. M. BALCER: Vous ne m'avez pas demandé si le système routier était touché. Vous m'avez demandé si le "CNR" dans ses opérations dans la province de Québec, était affecté par ces subsides de 20 millions.

M. GAUTHIER: Est-ce que le système routier, propriété actuelle du "CNR", est affecté par cette réduction des transports, comme on semble le constater dans la province de Québec.

L'hon. M. BALCER: Je ne crois pas.

Mr. SMITH (*Simcoe North*): Generally speaking the goods covered by this Freight Rates Reduction Act are not goods carried by trucks. Is that right?

Mr. BALCER: That is right.

Mr. KERR: Yes, that is right.

Mr. SMITH (*Simcoe North*): Could Mr. Kerr hazard a guess, or has he any information, as to what percentage of this might be carried by trucks? Would it be 2 per cent, 5 per cent, or what?

Mr. KERR: I do not think I can give you an estimate of that kind, although I may state that it is my feeling it would be a very small percentage.

Mr. SMITH (*Simcoe North*): I would suggest that it perhaps would not be more than five per cent?

Mr. KERR: Particularly in respect of long hauls I think that would perhaps be a fair statement.

Mr. SMITH (*Simcoe North*): Long hauls in this respect very seldom occur, is that right?

Mr. KERR: I think that is correct.

Mr. SMITH (*Simcoe North*): Therefore it is not likely that the C.N.R. or, for that matter, the C.P.R. trucking services would benefit greatly from this reduction if at all, is that right?

Mr. KERR: I think that is correct.

M. COOK: Monsieur Balcer, selon l'administration des compagnies qui bénéficient de cette subvention, est-ce que les subventions sont justifiables même si elles subissent une certaine perte, comme on semble le laisser croire? Est-ce que si elles avaient une administration mieux «contrôlée», elles pourraient survivre quand même sans avoir recours à ces subventions?

The CHAIRMAN: I might say, Mr. Cook, that the bill before us embodies an act to amend the Freight Rates Reduction Act and there are several companies involved.

Mr. COOK: I had reference only to the C.N.R., and I wondered whether this subsidy was justified.

L'hon. M. BALCER: Monsieur Cook, lorsque cette augmentation de 17 p. 100 a été accordée par la Commission des transports, il y a eu une enquête publique, les provinces ont pu faire entendre leurs arguments à l'encontre de cette augmentation. Il y a eu une enquête très poussée. Nécessairement, après avoir entendu les deux côtés, la Commission des transports a accordé cette augmentation de 17 p. 100.

Maintenant, lorsque le gouvernement a décidé d'accorder des subsides de 20 millions, c'était pour empêcher les chemins de fer d'imposer cette augmentation du «taux de fret». C'étaient des subsides non pas aux chemins de fer mais aux expéditeurs. Ce que je veux que vous compreniez, c'est que ces subsides sont payés aux expéditeurs.

M. COOK: Par exemple, cette supposée perte que les compagnies subissent, est-ce qu'elles ne peuvent pas l'endurer sans avoir recours à une subvention?

L'hon. M. BALZER: Il a été décidé par le gouvernement, par la suite approuvé par le Parlement, que cette compensation de 20 millions était justifiable.

Mr. SMITH (*Calgary South*): Mr. Chairman, I do not know whether my question should be directed to Mr. Kerr or to the minister. I ask this question for the purposes of information because I have had some difficulty in grasping one of Mr. Kerr's answers.

It has been indicated to us that this particular subsidy because of the rollback from the 17 or 18 per cent figure is justified on the basis of a compensation. It has been suggested that trucking companies could compete for a portion of this business, although it was indicated that this would be a relatively small proportion, amounting to something of the order of five per cent. Obviously no compensation is paid to any of the truckers in respect of competition and the competition is indeed vicious between the truckers and the railways. I should like to ask, and this is a relatively simple question, why it is that you are so emphatic that the trucking companies which are in competition with the railways, whether or not they receive this compensation, would not or could not compete for perhaps a greater share of the business? Is it because of the nature of the loads they must carry on long hauls and are you quite certain that the amount is limited to something less than five per cent?

Mr. KERR: Mr. Smith, representatives of the Canadian trucking associations, who have appeared before this committee on the previous occasions, are present at this time and I feel they are in a much better position than I to answer your questions.

The CHAIRMAN: I might state at this time that those representatives will be allowed the opportunity of making a submission.

Mr. SMITH (*Calgary South*): Mr. Chairman, in that case I will withdraw my questions and place them later.

Mr. KERR: I feel that the information they can give in this regard will be much more accurate than any information I could give you.

Mr. RYAN: Mr. Chairman, the minister stated that there was one freight rate that applied in respect of goods shipped by rail and another in respect of goods shipped by truck or road. Am I to assume from that statement that it is equally true that goods shipped partly by rail and partly by truck are shipped on the basis of different freight rates?

Mr. KERR: At the risk perhaps of repeating myself, I should like to state that when the 17 per cent increase was granted it applied only to movements by railway or movements by rail and water. That is, movement by rail and movement on the great lakes. Those were the only rates in respect of which the board of transport commissioners authorized a 17 per cent increase. If part of a haul is made by truck the 17 per cent increase does not apply. Consequently when the subsidy was provided the roll back reduction was only applicable in the case of rail or rail and water movements. This increase did not apply to rail and truck movements.

Mr. RYAN: Do you quote one rate in respect of shipments by truck and another in respect of shipments by rail?

Mr. KERR: That is a matter for the railway companies to decide. The board does not quote the rates at all. The railway companies may enter into some arrangement with the truckers whereby there is a rate for a rail haul and a rate for the truck haul.

Mr. RYAN: I take it that you are not aware of the practice which is followed?

Mr. KERR: I would not say that. We do know that the railway companies haul some goods by truck and some by rail, however, in so far as this subsidy is concerned, it does not apply to any movement by truck.

Mr. RYAN: Does it apply in respect of the fixing of a freight rate which is cited to a shipper?

Mr. KERR: It only applies in respect of the rate for the rail movement.

Mr. BYRNE: Mr. Chairman, my question is based on an answer given to a question asked by the elder Mr. Smith. I should like further information in this regard because the question asked by the younger Mr. Smith confused me more than ever. Does the rate in question apply to freight hauled by the piggyback operation?

Mr. KERR: The rate does not apply to any movement by road. If the movement is by rail and it is a movement that is carried at rates at the 8 per cent level, then it would apply to that movement.

Mr. BYRNE: I wonder whether you could give us an estimate as to the amount of this subsidy that would be absorbed by red tape, accounting and clerical work required in separating the various rates?

Mr. KERR: I could give you a very simple estimate. I do not want to be trite, but there is nothing whatever absorbed in administrative costs, and that has been a complaint of the railway companies, particularly when the subsidy was first applied. They complained that they were receiving only the difference between the 17 per cent rate and the 8 per cent rate and were not being compensated at all for any administrative costs which they incurred.

Mr. BYRNE: Could you give us an estimate as to the actual increased cost incurred by the railway companies in respect of the clerical work involved?

Mr. KERR: I am not aware of any estimate made on their part in that regard.

Mr. BYRNE: Would you consider that increased cost to be somewhere in the neighbourhood of one per cent?

Mr. KERR: I could make a guess but I do not feel it would be worth very much.

Mr. BYRNE: Mr. Chairman, I should like to ask the minister whether the policy is to be a continuing one. Apparently there was a thorough study made of the whole situation when the 17 per cent increase was granted by the board of transport commissioners. May I assume that subsidies are going to continue to be paid or will the railway companies be asked to operate more efficiently? Is there any policy in sight to be adopted in the future which will obviate the necessity of paying these subsidies?

Mr. BALCER: As you are aware, Mr. Byrne, the federal government has a responsibility in respect of the railways. As far as truckers are concerned it is a provincial responsibility. We have been accepting our responsibility in this regard and, I feel, have met this responsibility fully.

In answer to your question, the government established the MacPherson commission which has made a very thorough and complete study of the railway situation in Canada. As a result of the report of that commission, as the government announced in the throne speech, legislation will follow the final report and you will receive your answer in writing by way of a bill in this regard when presented to the House of Commons.

Mr. MITCHELL: Mr. Chairman, I am not sure whether I should direct my question to the minister or to Mr. Kerr, so I will present the question and perhaps the appropriate individual can answer it.

It is my understanding that in 1950-51 freight rates existed at a certain agreed level and that at that time as a result of the railway personnel asking



for wage increases a situation developed which necessitated an increase in freight rates to the extent of 17 per cent. Following that there was a rollback to 8 per cent. I am advised that this 8 per cent is covered in tariff 5-J, is that right?

Mr. H. W. ELLICOTT (*Director, Traffic Department, Board of Transport Commissioners*): Tariff 5-J is only one of the tariffs involved.

Mr. MITCHELL: Would the 8 per cent rollback be covered in tariff 5-J?

Mr. ELLICOTT: Some of the rates in regard to the 8 per cent rollback are included in that tariff, yes.

Mr. MITCHELL: It is my information that the railway companies have ignored that rate and entered into agreements with shippers at rates lower than called for by the tariff. At this time the railway companies have come before parliament and are asking for a change in this percentage. I should like to know why the railway companies are allowed to enter into agreements of this kind and why they do not follow the rates set out in tariff 5-J. I should like to have an answer to this question if the question is a reasonable one.

Mr. KERR: The railway companies have always had the right to agree to competitive rates and agreed charges. An agreed charge is in essence a competitive rate with certain conditions attached to it. If a railway company finds that it cannot carry traffic at the 8 per cent level because the traffic does not come to them at that price and it finds it can get the traffic at a four per cent level, or some other level lower than 8 per cent, it has always had the freedom to seek that traffic by offering that lower rate.

Mr. MITCHELL: In such a case does the railway company absorb the difference itself?

Mr. KERR: Yes, the company absorbs the difference.

Mr. MITCHELL: I refer to the difference between the lower rate and the 8 per cent rate.

Mr. KERR: The company would be receiving a lower rate than the 8 per cent rate, in which case this subsidy would not apply to that traffic at all.

M. GAUTHIER: J'aimerais poser une question à la suite des remarques que l'honorable ministre vient de nous faire, à l'effet que les provinces avaient été consultées au sujet de ladite augmentation. Ce que je trouve curieux, c'est que dans le Québec, c'est la seule province où cela se pratique. C'est que le "CN" se lance dans le transport routier dans la province de Québec, sans la permission de la Commission des transports de cette province. La preuve est que le "CN" a quatre "actions" d'intentées contre lui et qu'il "marche" grand même sans respecter les lois de cette province. On se demande quelles sont les raisons pour lesquelles il agit ainsi. Vous venez de nous dire que c'est avec le consentement des provinces, alors qu'il y a là une preuve du contraire.

M. BALZER: Si vous voulez, monsieur, vous m'avez posé trois ou quatre questions.

Tout d'abord, je dirai que les provinces avaient eu l'opportunité de se présenter, ou de se faire représenter devant la Commission des transports pour protester contre l'augmentation du taux de 17 p. cent.

Maintenant vous dites que le "CN" se lance dans des "opérations" routières dans la province de Québec et que le "CNR" n'a pas obtenu la permission de la Commission des transports de la province de Québec. Que la province de Québec prenne ses responsabilités. S'il y a quelqu'un qui fait du camionnage et n'a pas le droit de le faire dans la province de Québec, c'est aux autorités provinciales d'y voir. Cela ne dépend pas des autorités fédérales.

M. GAUTHIER: Avez-vous dit, monsieur le ministre, tout à l'heure, que le transport par camion était sous le "contrôle" de chaque province? Comment

expliquez-vous, alors, qu'une compagnie, une société fédérale puisse venir ainsi chambarder les lois d'une province?

M. BALCER: Si la province de Québec n'aime pas cela, la province de Québec peut les empêcher. Le "CN" est obligé d'observer la loi, les lois provinciales, municipales et fédérales. Si, comme vous dites, il y a infraction à la loi provinciale, c'est aux autorités provinciales de voir à ce que ceux qui enfreignent la loi soient punis.

M. GAUTHIER: La province de Québec n'aime pas cela, puisque le "CNR" a quatre "actions" d'intentées contre lui. C'est justement contre cet empiètement qu'elle en a alors que tout le système routier était très bien organisé avant que le "CN" y mette les pieds, c'est contre cet empiètement que nous voulons lutter, c'est à cela que nous nous "objectons" et que nous demandons à tous les députés de la province de "s'objecter", de façon que le "CN" ne fasse pas 1 p. 100 de plus de commission.

C'est pour cette raison, monsieur le ministre que nous sommes ici. Que le "CN" s'occupe du chemin de fer dans la province de Québec, très bien. Quand nous en aurons besoin, nous dirons: très bien. Entre temps, nous disons; "Nous n'avons pas besoin de vous, nous n'avons pas besoin de ceux qui sont là pour créer des déficits."

Mr. MARCOUX: I heard you speak of competitive rates a few minutes before, and you talked about non-competitive matters. I would like to know if "competitive" has the same meanings in both sentences? You say you have the right to provide competitive rates to non-competitive matters.

Mr. KERR: I said that the railways have the right to meet competition by giving a competitive rate. Whatever the traffic may be, if the railways cannot carry it at non-competitive rates, and they wish to hold the traffic, and if they can make some profit on it by carrying it at a lesser rate than a non-competitive rate, then they can file a tariff which contains a competitive rate.

The other type of so-called competitive rate is the agreed charge, and it is a variation of the competitive rate. It has certain conditions attached to it whereby the shipper contracts to give a certain percentage of his traffic to the railway—be it 80 or 100 or some agreed portion.

Mr. MARCOUX: You said that this schedule of increased or decreased rates was concerned only with non-competitive matters. Now, after you said that, you said, or I thought you said, that the railways might need some extra money from the government because they made a competitive rate, or lowered their rates, even though they lost money.

Mr. KERR: If I said that, I did not intend to say it. What I intended to say was that some traffic which was carried at the 8 per cent rates was carried at the burden on the subsidy. But when it moves out of that 8 per cent category and goes to a competitive category, it ceases to be a burden on the subsidy.

Mr. MARCOUX: And another thing: I understood that the subsidies were paid to the expeditors. Is it true that it is paid to the expeditors, and that if the expeditors do not pay it, then the company passes it on to the government?

Mr. KERR: The shipper pays the 8 per cent rate instead of the 17 per cent rate which the board had authorized and which was in effect for a while. So the shipper, when he ships his goods or receives them, pays at the 8 per cent level, and the railway subsequently sends a bill to the board for the difference between the 8 per cent level and the 17 per cent level, and they get paid that difference.

Mr. MARCOUX: So it would be more accurate to say that there is a subsidy paid to the expeditor?

Mr. KERR: It is a subsidy which works its way to the shipper and perhaps eventually to the consumer in some respects. But in any event it is a subsidy which goes to the shipper, in that it reduces the rate which he has to pay.

Mr. MARCOUX: That to me is a very big difference, because if the expediter receives the money, he may put it anywhere in his whole administration, and if the company receives it, it may do the same thing.

Mr. LEWIS: In 1958, when the railways applied for the increase, presumably they gave you a list of the rates or classes of rates to which that increase would apply. Is that right?

Mr. KERR: They gave us figures on their traffic, the total traffic, the total revenue, and they divided their traffic figures into certain categories which, broadly speaking, were the categories which I enumerated some time ago. There were some smaller categories, but these were the four broad categories.

Mr. LEWIS: And when you, as a board, gave permission, or ordered the increase of 17 per cent, you presumably designated the classes of rates to which that 17 per cent would apply?

Mr. KERR: Yes, that is right; it did not apply, for instance, to international traffic, and it did not apply to export traffic, to ports which bore a relationship to American port rates; and it did not apply to grain and grain products carried at statutory rates or related rates.

Mr. LEWIS: Therefore, from there on, when you ordered that the rates be decreased, and that the increase be decreased from 17 per cent to 10 per cent, the subsidy voted by parliament would apply, as I understand, only to goods shipped at rates which would have been 17 per cent higher, if not by your order reduced to 10 per cent?

Mr. KERR: That is right; it applied only to goods which were being carried at the full 17 per cent rate on the day that Act came into force.

Mr. LEWIS: And the same was true when it was reduced to 8 per cent?

Mr. KERR: That is right.

Mr. LEWIS: And then if the railways found that they could do profitable business at a rate which had no increase at all out of the 17 per cent, then they would not get any subsidy at all?

Mr. KERR: That is right, if they carried goods at a rate lower than 8 per cent.

Mr. LEWIS: And in the same way, if you have a shipment which goes by truck part of the way, and by rail for a part of the way, did I understand you correctly to say that when you apply any proportion of the subsidy to that shipment it would be applied only to the rail part of the shipment and not to the trucking part of the shipment?

Mr. KERR: That is correct.

Mr. LEWIS: You have, I understand, 33 months of experience until last April, is that right?

Mr. KERR: Yes.

Mr. LEWIS: With payment out of a total of \$55 million over those 33 months?

Mr. KERR: Well, slightly less than that. The total is about \$52 million.

Mr. LEWIS: Was it your experience that the \$52 million compensated the railways in total for what they lost through having to reduce their rates and classes of rates on which you permitted the increase and reduction?

Mr. KERR: Yes.



Mr. LEWIS: I have one more question on another point, now that members of the committee have asked about railway efficiency and inefficiency and the like. You told us, I think, that \$77.3 million of the gross revenue of the railway—if I have got it down correctly—was earned; and I suppose that includes the Canadian National as well as the Canadian Pacific?

Mr. KERR: All the class 1 railways.

Mr. LEWIS: And the major proportion is the Canadian Pacific and the Canadian National?

Mr. KERR: Yes.

Mr. LEWIS: That \$77.3 million was earned through the transportation of grain at the statutory rates?

Mr. KERR: Yes, and as you would say in traffic terminology, at the related rates.

Mr. LEWIS: And that was 9.1 per cent of their gross revenue?

Mr. KERR: Yes.

Mr. LEWIS: And it represented 27.3 per cent of the ton miles?

Mr. KERR: That is right.

Mr. LEWIS: Carried by the railways; now, could you tell the committee this? I know your board has had occasion numerous times to go into it; but could you tell the committee what proportion of the average per ton mile revenue of carrying grains at the statutory and related rates is? Do I make my question clear? If it is not, it is not the first irrelevancy.

Mr. KERR: The board's annual report for 1961 gives the figures, and based on the waybill analysis as the statistical basis, the average revenue per freight ton mile in 1961 for class rated traffic was 4.24 cents.

Mr. LEWIS: You say 4.24 cents?

Mr. KERR: That is right, per freight ton mile; and the statutory revenue was .49 cents per ton mile which is just about one-half a cent per ton mile. The competitive figure was 2.51 cents. The agreed charge figure was 2.23 cents; and the commodity non-competitive figure was 1.71 cents. The average for all traffic was 1.51 cents.

Mr. LEWIS: The revenue for the grain shipped at statutory and related rates was about one-third of the revenue average for all traffic?

Mr. KERR: Yes.

Mr. LEWIS: A little less than one-third; is that right?

Mr. HORNER (*Acadia*): Mr. Lewis gained quite a lot of information in his particular question; but I have a particular question on part of this which I would like to deal with.

Mr. SMITH (*Simcoe North*): Mr. Chairman, may I ask one question which is supplementary to Mr. Lewis' question?

The CHAIRMAN: Very well.

Mr. SMITH (*Simcoe North*): Have the railways been permitted to increase their rates on any of the goods to which this subsidy applies since the act was passed?

Mr. KERR: Not to my knowledge, Mr. Smith.

Mr. SMITH (*Simcoe North*): If they did, would the subsidy then cease to apply?

Mr. KERR: Well, the question would arise, first of all, whether the increase would be lawful. I think if there had been an increase, we would have received a complaint, alleging that the increase was unlawful and contrary to the act.

Mr. SMITH (*Simcoe North*): Your opinion is that it would be unlawful if they did it?

Mr. KERR: I should not commit the board in advance to any opinion; but if that case arose—and it has not arisen except in perhaps one matter now before the board; the railway filed a tariff, and I believe, purely from memory, the railway filed a tariff including a charge for certain checking of carload freight, and the board suspended that increase, and it is now before the board for determination.

Mr. SMITH (*Simcoe North*): Who would file the complaints, the shippers?

Mr. KERR: Oh, yes, the shippers, or a provincial organization; and the province might.

Mr. HORNER (*Acadia*): When this was first initiated in 1959, after the board had granted the 17½ per cent increase, Saskatchewan and Alberta particularly were very critical of the increase and they opposed it quite strongly.

Mr. KERR: The 17 per cent increase?

Mr. HORNER (*Acadia*): Yes, to begin with.

Mr. KERR: Yes, and the same provinces opposed it that had opposed the general freight rate increase, I means the maritimes and the west.

Mr. HORNER (*Acadia*): The maritimes and the west particularly opposed them.

Mr. KERR: Yes; and I might add that when this act was first before this committee the western provinces and the maritimes appeared here in support of it, and in support of the roll back.

Mr. HORNER (*Acadia*): Yes, that is what I thought, and I am glad you brought it out. And it is interesting also to note that since this act has come in, in 1959, there has been no general increase in freight rates since then.

Mr. KERR: That is right. The government announced that it would not allow any further general increase. At that time the railways had an application before the board for a further increase, and following the announcement of the government, the railways asked the board to adjourn their application sine die.

Mr. HORNER (*Acadia*): This should be very beneficial to those two groups, the maritimes and the west, who had opposed the 17 per cent increase very strongly. My question is this; where have you spent \$52 million in 33 months roughly speaking, where has this money gone, mainly, or have you any idea with regard to the commodities shipped under it?

Mr. KERR: Well, Mr. Horner, that depends on who pays the freight. There are arguments as to who pays it. There are people in the maritimes and people in the west who claim from time to time that they pay the freight on goods going in and also on goods coming out.

Mr. HORNER (*Acadia*): I understand.

Mr. KERR: And the question is somewhat similar to that which was asked of Commissioner Knowles when he was before this committee, or before the Senate committee, on the assumption that freight on goods into the maritimes and out of the maritimes is paid by the maritimers, and with a similar assumption with respect to the west. Mr. Knowles estimated—and I shall try to find it for you in the proceedings before the Senate committee on transport and communications for June 17, 1959—that the maritimes' share was 16.8 per cent, the western share was 56.7 per cent, and the central region—that is, Ontario and Quebec—share was 26.5 per cent.

Mr. ARGUE: Would that apply also to the 8 per cent increase, when you paid the bill?

Mr. KERR: Yes.

Mr. TURNER: Mr. Kerr, I take it that the Freight Rates Reduction Act for which an extension is sought this morning does not apply to competitive rates?

Mr. KERR: That is right.

Mr. TURNER: And if a railway sets a rate to meet water or trucking competition, would that be a competitive rate?

Mr. KERR: I think so. There is a definition of competitive rates, as you well know. But I think that is pretty close to it.

Mr. TURNER: And an agreed charge, you said, is a type of competitive rate which was originally enacted in 1955 to meet truck competition, and to allow the railways to meet truck competition?

Mr. KERR: Well, it was before 1955. The act was amended in 1955.

Mr. TURNER: That is what caused us a bit of trouble.

Mr. KERR: It was prior to 1955. I think the agreed charge legislation goes back to 1937. But prior to 1955, when an agreed charge was made, it first had to be approved by the board before it became effective. So the board, consequently, made some investigation into the subject of agreed charges prior to that time. And in 1955, pursuant to the recommendations of the royal commission of which the hon. Mr. Justice Turgeon was the chairman, parliament amended the transport act in respect of agreed charges and provided that thereafter an agreed charge could become effective without investigation or approval by the board, 20 days after filing with the board.

Mr. TURNER: The point in which I am interested is this: If the railway sets a rate to meet truck competition either by way of a competitive rate or by making an agreed charge with the shipper both the competitive rate and the agreed charge would not be covered by the Freight Rates Reduction Act.

Mr. KERR: That is right.

Mr. TURNER: So, if a railway meets truck competition by a competitive rate or an agreed charge, the railway is not subsidized under this act?

Mr. KERR: That is right.

The CHAIRMAN: Have you a question, Mr. Ryan?

Mr. RYAN: No, I have not, Mr. Chairman.

Mr. LEGARE: Mr. Chairman, the minister said just a few minutes ago that the trucking industry is a provincial responsibility.

Mr. BALCER: Yes.

Mr. LEGARE: But the trucking industry has to pay tax as does every other body with the exception of the C.N.R.?

Mr. BALCER: Yes.

Mr. LEGARE: But the trucking industry is not as well equipped with protection from this government to do this.

Mr. BALCER: I said that the trucking industry is under provincial jurisdiction. To give you an example, the largest trucking firm in the province of Quebec is Smith Transport, which belonged to the C.P.R. It has been allowed by provincial government authority to carry on trucking in the province of Quebec. The next in line is Kingsway Transport, which belonged to the Canadian Steamship Lines, and it has been allowed by the provincial board to do business in the province of Quebec. I think the objection which Mr. Gauthier and Mr. Marcoux have made has to do with the fact that the C.N.R. has applied to the provincial board for permission to carry on a trucking business in the province of Quebec. But, if the province of Quebec does not want the C.N.R. to carry on a trucking industry and activities in the province of Quebec it has the power to stop the C.N.R. from doing so. As the C.N.R. is under the juris-



diction of the federal government, we asked C.N.R. management to carry on these activities in a business-like fashion. Although it is meeting a great deal of competition, it is not for us to deal with trucking in so far as C.N.R. activities are concerned; it is up to the province to deal with that aspect of it. All the trucking activities are under provincial jurisdiction.

M. BELANGER: Ma question peut paraître curieuse, mais, monsieur le ministre, vous venez justement de nous dire que c'est le gouvernement provincial qui a pleine autorité pour «régler» le transport par camion dans la province de Québec. D'autre part, vous venez de nous dire que le «CN», comme toutes les autres compagnies, doit se conformer aux lois de la province de Québec. Je me demande donc pourquoi le «CN» se laisse poursuivre au lieu de se conformer à la loi, puisqu'à l'heure actuelle, il y a déjà quatre poursuites devant la Cour.

L'hon. M. BALCER: Tout ce que j'ai à répondre à cela, c'est précisément que cela prouve que les «opérations» de camionnage sont sous la «juridiction» du gouvernement provincial, puisque la province a intenté des procédures contre le «CN». Quand il y aura un jugement de rendu, on saura si les «activités» du «CN» sont légales ou non.

J'ai vu, la semaine dernière que M. Archambault et les autorités du «CN» en sont venus à une certaine entente au sujet de certaines causes. Je ne sais pas s'il s'agit de ces quatre causes-là mais vous pourrez peut-être le lui demander.

The CHAIRMAN: Have you a question, Mr. Robichaud?

Mr. ROBICHAUD: It has been admitted, and we know that \$52 million has been paid so far under this act and that the government is asking for \$20 million more in order to extend this to April 30, 1963. We also know that it has been explained this morning that such subsidies have applied and will apply to certain classes of goods transported by rail. I would like to ask Mr. Kerr this question. Can we not assume from the facts known now that this subsidy has allowed the C.N.R. and other companies to reduce their rates on certain classes of goods transported by their own trucks and by doing so offering an unfair competition to trucking companies which had to operate on their own in competition with the trucking operations of those companies and without any subsidy whatsoever.

Mr. KERR: Well, the trucking representatives may have their own views as to that. I think to the extent that any railway company obtains revenue from any source and thereby betters its financial position it may, thereby, be in a better position to give reduced rates to certain classes of traffic.

The CHAIRMAN: Have you a question, Mr. Marcoux?

Mr. MARCOUX: Mr. Chairman, I would like to make a comment in connection with the province of Quebec, as I am closely related to it. I would like to question the morality of not the government but parliament paying subsidies to a company which is illegally operating in—

Mr. BALCER: Just a minute. You are implying that the operations of the C.N.R. are illegal, when it has not been decided yet by the courts. These cases, as you well know, are before the court.

Mr. MARCOUX: But they have been condemned twice.

Mr. BALCER: Yes, but they have appealed.

The CHAIRMAN: If I might intervene, we have no right to discuss things in this committee which are at this time before the courts.

Will you proceed, Mr. Leboe?

Mr. LEBOE: Mr. Chairman, I apologize for being late, and if my question has been answered previously, just forget about it, and I will read it in the record.

My concern is how do we ascertain that the railway in the rail-truck combination are not reducing the truck charge but maintaining the subsidized rate in the over-all movement of goods from point "A" to "B" in which there is a combination between truck and rail in the shipment. How do we know that the subsidized rate is not maintained or that the subsidy can be picked up —

Mr. KERR: If I might interrupt, I am not in a position to answer in regard to the trucking industry.

Mr. LEBOE: There must be a combination between the two which will affect this subsidy.

Mr. KERR: There may be two rates between two points, part of the haul being by rail and part by truck. So far as this subsidy is concerned it applies only to the rail haul and it only applies to the rates which, in 1958, were increased by 17 per cent and to those which were carrying traffic on the day the act came into force.

Mr. LEBOE: My problem is that if they are working on a subsidized rate in one section of the movement on a shipment of goods at point of origin A to point of delivery B, we will then have a combination of rail and trucking. It may be that the subsidy will be picked up on the rail and then we will find that competition becomes keen on the trucking end of it. It does seem to me that some thought has to be given to make certain that the total charge from point A to point B is controlled so that the subsidy is not paid in order to put the railway in unfair competition on the same road with private trucking firms.

Mr. KERR: As I said, I cannot answer as to the trucking rates, sir.

Mr. GRANGER: The question asked was partially covered but I would like one point clarified. Are the trucking companies operated as separate businesses standing on their own feet; and secondly has any subsidy paid to the parent organization been reflected in the financial position of the trucking companies?

Mr. LEBOE: It is the same question but put in another way.

Mr. BALCER: This was asked at the annual meeting of the committee on the Canadian National Railways, and my recollection is that the president of the Canadian National Railways stated that they are handled as separate entities.

Mr. LEBOE: If I may say so, a portion of this question was not answered: whether there is any payment from the railway company to the trucking firm in case there are losses in the trucking firm. I think this is a very important part of the question which is before the committee.

Mr. WINCH: The answer was that trucking made a profit last year.

Mr. BALCER: I imagine that when a company is fully owned by the C.N.R. and it is in deficit, then it goes into the over-all accounting of the C.N.R. I do not know if this applies to the C.P.R.

Mr. LEWIS: Did not Mr. Gordon's report show a profit for the trucking operation?

Mr. BALCER: Yes, there was a profit in the trucking operation in 1961, but I do not know about the previous years.

Mr. LEBOE: It does not make a difference whether there was a profit or not.

Mr. BALCER: It makes a difference if there is a profit because nobody then has to pick up the tab for the deficit.

Mr. LEBOE: Where there is no profit, that possibility always exists. I would like to follow this a little bit closer and it is very much related to the previous question. It concerns the opportunity for the railway to lend employees or to have some of their employees ostensibly move into the trucking field and take part in the freight shipments which are actually charged to the railway company and the deficit of which is covered by the federal government. I think this is very important.

Mr. BALCER: This was answered by Mr. Kerr.

Mr. LEBOE: If it was, I will pick it up in the record.

Mr. BELL (*Saint John-Albert*): I would like to ask Mr. Turner's question again.

Mr. TURNER: That is the finest thing that ever happened.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I would like to ask Mr. Kerr whether there has been any revision or any favourable change in rates that would enable the railways to obtain revenue under this rebate that they would not have been able to obtain previously?

Mr. KERR: Not so far as the authority given by the board is concerned. The board gave the authority to increase the rates to the 17 per cent level, and the railways did so. They were carrying the traffic at that level.

Mr. BELL (*Saint John-Albert*): If the trucks have any complaints about this measure they are only along the lines that this is perpetuating a situation that existed previously.

Mr. KERR: I would not like to speak for the truckers.

Mr. HORNER (*Acadia*): Should we not hear the trucking companies?

Mr. CROUSE: I have something to say further to Mr. Bell's question. Could Mr. Kerr give us some idea of the chief commodities to which this subsidy applies?

Mr. KERR: I suppose our traffic people could get them for you. I mentioned the chief ones previously.

Mr. SMITH (*Simcoe North*): Are those bulk goods or are they packaged goods?

Mr. KERR: Ore is one.

Mr. SMITH (*Simcoe North*): Is it one of the chief ones. Could you give us the main ones?

Mr. KERR: Pulpwood, iron ore and lumber.

Mr. CROUSE: Is there fish?

The CHAIRMAN: Apparently these are on the record.

Mr. BALCER: Steel, sand and gravel, lumber, pulpwood, fruits and vegetables, ores, cement, wood pulp, newsprint paper, canned goods, sugar and so forth.

M. BEAULÉ: Si je comprends bien, le but de ce bill est de donner 20 millions de plus. Là, je ne suis pas d'accord avec le représentant du "CN". Il semble y avoir une anomalie. Tout à l'heure, suivant . . .

L'hon. M. BALCER: Un instant. Il n'y a pas de représentant du "CNR". M. Kerr est président de la Commission des transports.

M. BEAULÉ: Je ne savais pas que ces subsides étaient accordés aux camions du "CN". Le "CN" transporte des camions sur les "chars". C'est dire que leur "trucking" reçoit des subsides du "CN". Il ne faut pas jouer sur les mots. Si réellement le "CN" reçoit des subsides pour le camionnage, étant donné que les camions sont transportés sur les "chars" par le système de "piggy-back", ceci constitue une anomalie.

Mr. KERR: Mr. Chairman, when that question was asked in French I was very much in the same position as one of our assistant directors by the name



of Lesage when some people from the province of Quebec came up and wished to talk to someone from that particular branch. They wished to speak in French and they saw Mr. Lesage's name on the board, so they went in to see him and they addressed him in French. He said to them "I am sorry, I will take you into Mr. McDonald who speaks French."

I would now ask our traffic people to deal with the question of piggyback and whether the piggyback movement, in so far as it is a rail movement, is carried at the 8 per cent rate. I understand it is carried at a competitive level.

L'hon. M. BALCER: L'information que nous avons sur le transport par "piggy-back", indique qu'ils s'agit d'un transport compétitif qui ne reçoit pas de subside.

Mr. TURNER: Mr. Chairman, I would like to have a clarification on two questions I put earlier this morning. Mr. Kerr, when we were talking about the amount of traffic in class and commodity rates covered by the subsidy which the trucking industry could carry, I understood you to say that less than 5 per cent of that traffic could be carried by truck.

Mr. KERR: I did not intend to say that less than 5 per cent could be carried by truck. My belief is that there is not a large portion of this traffic actually carried by truck. I am just reasoning that if the railroads have held a very large proportion of the traffic which was taken in the 17 per cent rate, then not too much of it could have gone to the truckers since 1958, but my conclusions may not be valid and if the trucking people say differently I would be inclined to accept their word.

Mr. TURNER: If under this class and commodity rate traffic the railway decided it had to meet rail competition by taking the commodities into competitive rates, the subsidy would no longer apply. Is that right?

Mr. KERR: That is right.

Mr. TURNER: Did I understand you to say that more and more traffic on the railways is travelling under competitive rates, that is to say that the proportion today of traffic moving under competitive rates is larger than it was in 1959?

Mr. KERR: The trend is that way, but in the past year the trend has not been as pronounced as in some previous years. If you would like some figures, I can give them to you.

Mr. TURNER: From 1959 onward.

Mr. KERR: Once again using the board's waybill analysis, the percentage of traffic moving at competitive commodity rates in 1958 was 23.1 per cent. In 1959 it went up to 27 per cent, in 1960 it was 26.8 per cent and in 1961 it was 25 per cent. So there has been a slight decrease there. On the other hand, the agreed charge traffic in 1958 was 13.8 per cent, in 1959 it was 16.1 per cent, in 1960 it was 18.3 per cent and in 1961 19.2 per cent. As between 1961 and 1960 there is not very much difference.

Mr. BYRNE: Mr. Chairman, I would like to ask Mr. Kerr several questions but I wonder if he could not be accorded the same privilege as the members have to remain seated. He is going to be asked many more questions. Some interesting figures were brought out by Mr. Lewis. It appears that 9.1 per cent of our gross revenue comes from 27.3 per cent of the total tonnage hauled on the major railway. Could Mr. Kerr give us any estimates of the amount of actual money involved in these statutory rates; that is, could he give us an estimate, for instance, of the difference there would be in commodity rates if the statutory rates were not in effect? Would it depreciably reduce the commodity rates or would this subsidy in effect be necessary?

Mr. ARGUE: It would kill the wheat market.

Mr. KERR: I cannot give an estimate, I am afraid, but that point has been made and argued pro and con at different times. I think it is a logical conclusion that if the grain rates were higher then the farmers perhaps would be worse off, and to that extent the amount of goods they can buy and the amount of goods to be hauled would be smaller. It would have repercussions in a wide field.

Mr. BYRNE: Is there any particular reason why the west and the east are of the impression that they pay freight both ways while the central provinces seem to think that they pay only in one direction?

Mr. KERR: To give you an example from the maritimes from which I come, if goods are canned down there the cans come from Ontario to some point in the maritimes where the canning takes place, so the maritime packer pays the freight on the cans. When he ships the canned goods back to Ontario in competition with goods canned in Ontario, he also feels that he must absorb the freight rate in order to be competitive on the Ontario market. The same thing applies in the west.

Mr. BYRNE: Iron ore comes from Labrador to the central provinces to be processed and then goes back again. In this way we could keep going on to infinity and still not be straightened out. I am wondering if all of this makes good economic sense.

Mr. KERR: As I said at the commencement, arguments have been made for a long time and they will probably continue for a long time as to who actually pays the freight.

Mr. BYRNE: Is grain the only commodity that is affected by statutory rates?

Mr. KERR: The maritime freight rates gave a statutory reduction.

M. GAUTHIER: Ma question s'adresse encore à monsieur le ministre.

Nous sommes heureux au sujet de ces profits, nous sommes heureux d'apprendre que les lignes de camionnage font au moins  $\frac{1}{2}$  p. 100, ce qui n'équivaut même pas à l'intérêt de l'argent investi. Monsieur le ministre, les profits du transport par camion ont-ils été calculés après que le "CN" a reçu le produit de la taxe imposée par le gouvernement fédéral aux contribuables pour compenser les réductions des taux de transport?

L'hon. M. BALZER: Je vous avoue bien franchement que je ne comprends pas la question.

M. GAUTHIER: On voudrait tout simplement savoir si vos profits ont été calculés après la réception du montant que représente cette taxe imposée par le gouvernement fédéral à cause de la réduction des taux de transport, ou si, actuellement, vous incluez dans vos revenus la tax que le gouvernement fédéral vous remet.

L'hon. M. BALZER: Tous les ans, les chemins de fer nationaux produisent un rapport financier. Dans ce rapport financier ils donnent "item" par "item" les différents revenus. S'ils reçoivent des subsides du gouvernement fédéral, les subsides sont dans la colonne des revenus. Sans aucun doute, leur profit net sera affecté par les subsides qu'on leur accordera.

Mr. LEWIS: Was not Mr. Gauthier asking about the profits of the trucking and your statement, if I may say so, would not apply, Mr. Minister. The figures for the trucking operations of the C.N.R. would not show any subsidies.

Mr. BALZER: They had a profit. It is included in the general revenues for 1961. There is not a cent of the subsidy that has gone into the trucking, because they have come up with a profit on their trucking operations.

Mr. COOK: Is it not true that the trucking business in the C.N.R. is profitable because they do not pay any tax on gasoline and such things?

Mr. BALZER: I am sure they pay the tax on gasoline. I am convinced that the C.N. trucking operation observes the laws of the province in which it

operates. So far as the federal government is concerned, we will not stand for anything else. I want to be very clear on that. The C.N.R. has to observe the laws of the land wherever it is, and I am sure it does.

Mr. COOK: Does the C.N. pay taxes on oil and everything?

Mr. BALCER: Yes.

Mr. LEBOE: In the subsidy the trucking firms of the railways, I presume, pay the same freight charges in respect of the piggyback traffic as does a private firm which puts its trucks on the railway for transportation. Does anyone know for sure whether or not that actually applies?

Mr. A. S. KIRK (*Commissioner, Board of Transport Commissioners*): I am not sure whether or not that applies. You distinguish between a railway piggyback service and the carriage of piggyback of highway carriers.

Mr. LEBOE: Yes. I am wondering whether or not there is a clear book-keeping account and whether freight charges are exactly the same in respect of the subsidiary of the railways and a private company in the case of the piggyback services.

Mr. KIRK: There is a difference in the freight charges that the railways collect. In the case of their own piggyback service they collect the whole of the revenue. In connection with the carriage of highway piggyback, there is, of course, some payment made to the highway carrier for the service it performs. That is an arrangement between the highway carrier and the railway.

Mr. SMITH (*Simcoe North*): Evidence was given by Mr. Gordon to the effect that piggybacks from say a C.N.R. subsidiary trucking company and piggybacks from a privately owned trucking company were accepted at the same rate exactly as between the two. The difference the present witness is speaking about relates to the fact that if it is the C.N.R. there are certain additional services provided by the C.N.R. in certain cases such as taking the piggyback out to the factory and bringing it back and loading it. There the rate is not the same; but, between a piggyback, for instance, from Midland-Superior, and a piggyback from someone else, the rate is absolutely identical.

Mr. BALCER: The MacPherson commission in its recommendations has recommended that it should be written in the law that the railway companies would charge exactly the same amount to their own trucks as to the ordinary trucker.

Mr. WINCH: Unfortunately we have been sitting for almost two hours. Do you think perhaps we might get further more quickly if we heard the representations of the trucking operators?

The CHAIRMAN: I was going on to 11.30 and then I was going to ask the committee's pleasure as to whether we would continue or ask for permission to sit this afternoon or tomorrow morning.

Mr. WINCH: How about the trucking operators. Much of the discussion now relates to something the truckers can tell us.

The CHAIRMAN: I have a couple of more names on the list.

Mr. LEBOE: I am particularly interested in the Canadian National in respect of the capital account, the interest charges on the capital account in respect of the trucking firm. There must be interest charges because this is a subsidiary of the Canadian National. I am wondering whether or not those interest charges are included in the expenses of the subsidiary firm.

Mr. BALCER: I am giving you my impression. I am quite convinced they are, subject to correction.

The CHAIRMAN: Mr. Horner?

Mr. HORNER (*Acadia*): I really agree with Mr. Winch, but I have one question. There may have been a false impression left in respect of the statu-



tory rates and the 9 per cent. Is it not a fact that bulk cargoes such as non-refrigerated, and so on, could well be hauled more mileage for less money than other cars?

Mr. KERR: There is a good deal of bulk goods which are hauled at very low rates.

Mr. BELL (*Saint John-Albert*): I was going to suggest that we hear the truckers. I wonder if it might be a good idea to have them make their initial presentation this morning and then we could digest it, look over the proceedings of the previous hearing of this committee, and if necessary meet again with the officials who have been heard in an effort to come to some conclusions about this matter.

The CHAIRMAN: That is what was in my mind. I thought that at 11.30 I would call a halt and see what is the feeling of this committee. Would you agree that we carry on until 12 o'clock and hear the truckers for half an hour now?

Agreed.

Mr. BYRNE: I agree, when we are finished asking questions of the witness. I am not satisfied with the answers I have received to the questions regarding the statutory rates. We know that the trucking industry, with which we have great sympathy, is going to be speaking on these subsidies. I have asked, as a matter of information, would these subsidies be necessary if the railways were not forced to haul certain commodities at statutory rates and haul these exclusively when the trucking industry is not required to haul these commodities. I would like to have this question clarified. Would these subsidies be necessary if we allowed more flexibility in the rates of other commodities.

Mr. WINCH: I think it would be very unfair, since we have been sitting now for two hours, if we do not hear the presentation of the trucking operators at this time.

The CHAIRMAN: Yes. Mr. Byrne, would you be prepared to hear the trucking association's presentation and then representatives of the board of transport commissioners will still be here as witnesses afterwards and you may put your question at that time.

Mr. BYRNE: Will there be representatives of the railways here?

The CHAIRMAN: The Minister of Transport will be here, I believe. Is it agreeable that we hear the presentation of the trucking associations now?

Mr. COOK: I have just one more question. I understand that in 1959, before giving these subsidies, the government or parliament had made some inspection of the financial tax to justify these subsidies; but since then has some inspection of the financial situation been made of this?

Mr. BALZER: The railways have to send their bills. The amount of the subsidy that is paid is based on the actual bills of lading that are presented to the board of transport commissioners. Some years the board of transport commissioners does not pay the full \$20 million. Last year I think there was \$3 million left over. It is paid on actual shipments. It is \$3 million over the whole 55 months.

Mr. TURNER: On this point of hearing new witnesses, I understand that Mr. Kerr and assistant chief commissioner Griffin have a case to hear this afternoon. I wonder whether there is going to be a representative of the board of transport commissioners sitting in attendance during the presentation of the trucking associations.

Mr. BELL (*Saint John-Albert*): May I make the suggestion that we hear the initial presentation of the truckers this morning, digest it, and go back and read the previous reports of the last two times we sat on this matter. This morning has been a complete rehash of what has been contained in the reports

which anyone can obtain in the library. I think it would be unfair to the truckers not to give them an opportunity to present their case initially now so that the members and other persons who are interested will see one alongside the other.

The CHAIRMAN: Is that agreed?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Gentlemen we have with us today the president of the Canadian Trucking Association, Mr. Ramsay, Mr. John Magee, executive secretary, Mr. Benoit Savard, assistant to the executive secretary and Mr. Montague, economic consultant.

Gentlemen, perhaps you will come forward and present your submission.

Mr. R. R. RAMSAY (*President, Canadian Trucking Associations Incorporated*): Mr. Chairman and gentlemen, the Canadian trucking associations, of which I am president, representing trucking interests in Canada, is greatly concerned about the subsidies which are being granted to the railway, and particularly, of course, in regard to your consideration today of bill C-91.

We have prepared a brief and I should like to ask Mr. Magee to come forward and present it to you. With your permission, sir, I would ask Mr. Magee to present this brief at this time.

The CHAIRMAN: Thank you, Mr. Ramsay.

I think Mr. Magee is known to a good number of the members of this committee as a result of his appearance on other occasions. I would ask Mr. Magee to come forward and present his brief.

Mr. JOHN MAGEE (*Executive Secretary—Canadian Trucking Associations Incorporated*): Mr. Chairman, this submission is available in both French and English and copies are available to those members who would like them.

The CHAIRMAN: Mr. Magee, would you be more comfortable sitting down?

Mr. MAGEE: Mr. Chairman, I think perhaps I would like to stand while reading this brief.

Mr. Chairman, Mr. Minister, and hon. members of this committee, in addition to myself I have with me today my assistant Mr. Savard and Mr. George Montague, our economic consultant. Also in attendance are other officers of the association. The president himself has addressed you. I can assure you that if we cannot answer questions asked we will endeavour to get those answers from these officers who are present.

I should like to mention, if I may, for the record, Mr. Chairman, the names of those gentlemen who are in attendance. These gentlemen are; Mr. Frank McCallum of Oshawa, our immediate past president; Mr. Jack Taylor of Calgary, vice president (Alberta); Mr. Camille Archambault, Montreal, vice president (Quebec); Mr. J. O. Goodman of Toronto, honorary life director; and, Don Reimer of Winnipeg, a delegate to the general meeting of the association.

Once again we express our thanks to the committee for the privilege of making another submission to you regarding this legislation. We are here this year for the same reason we have been before the committee each year since 1959. This legislation has always been presented under the guise of temporary legislation. Its very terms imply its temporary nature. It does not provide for continuing annual subsidy payments. When the amount of money provided is used up no more payments can be made. When a temporary measure of this sort is extended it deserves the same rigorous appraisal which any new measure involving a substantial expenditure of public funds should receive. We are here to request, respectfully, that you make a rigorous appraisal of the legislation before you today. We are also here to state to you that the trucking

industry across Canada is even more strongly opposed to the renewal and extension of this legislation than we were when we appeared before this committee in 1960 and 1961.

We would like to review briefly the history of the Freight Rates Reduction Act.

In September, 1958, a number of railways and Canada Steamship Lines applied to the board of transport commissioners for an increase in freight rates.

In November, 1958, the board of transport commissioners, pursuant to this application, granted permission to the applicants to raise their freight rates by 17 per cent.

Following this decision by the board of transport commissioners, the railways did raise their rates where they could. They raised what are called their non-competitive rates—that is, rates on freight movements which had not been affected by competition.

The maritime provinces and western provinces complained about the increase in freight rates. They claimed that the burden of the freight rate increase fell on them. They asked the governor in council for relief.

The government presented the Freight Rates Reduction Act as a measure that would provide this relief. The act authorized the board of transport commissioners to reduce the rates by \$20 million. The effect of the application of this amount of money during the following year was to reduce what had been a 17 per cent increase in rates to a 10 per cent increase.

We opposed the Freight Rates Reduction Act before this committee in 1959. Our principal argument at that time was that truck competition was becoming an increasingly effective force in holding down all rail rates and that the act indiscriminately applied to every so-called non-competitive rate. Yet, many non-competitive rates were for commodities trucks could and would carry—and were carrying.

We showed that our industry was a growing industry and that its most rapid growth was in the maritimes and western Canada where the cry for competition was loudest. We submitted to the committee that the act was bad for the trucking industry in those areas because it prevented the industry from competing for traffic; that the act was bad for the people of the maritime and western areas because it perpetuated a railway monopoly of the subsidized traffic. In effect, we told the committee that the villain of the piece—the so-called noncompetitive rates—was a vanishing breed and that if the government did not restrain the growth of the trucking industry by this type of legislation there might not be any non-competitive rates of significance to complain about within a few years.

All that we said to you in 1959, the first year of the legislation. Only a year later the truth was established. In 1960, the board of transport commissioners disclosed in evidence to you that the number of non-competitive rates had diminished during the year and that it had been necessary to lower the remaining rates still further in order to use up the whole \$20 million which parliament had provided.

Quite apart from its value as evidence of the soundness of our objections to this kind of subsidy, the disclosure by the witnesses for the board of transport commissioners provided a rather bitter lesson about subsidies. It had seemed during the discussions which preceded the passing of the original act that the intention of the government was to reduce the increase in rates from 17 per cent to 10 per cent. We assume that it had been decided that the maritime and the western provinces would accept a 10 per cent increase in rates instead of a 17 per cent increase. To accomplish this reduction \$20,000,000 was needed. It seems fair to assume that if \$15,000,000 or \$25,000,000, instead of \$20,000,000,



had been necessary to reduce the increase to 10 per cent then one of those amounts would have appeared in the act—and not \$20,000,000. However, once the \$20,000,000 figure had appeared in print in the statutes of Canada it became the measure of what the government intended and not a particular level of rate increase. The lesson seems to be that governments forget very quickly the reasons behind subsidies and good round figures like \$20,000,000 become almost sacred between the people who pay, and the people who receive, subsidies.

On previous occasions before the committee we have pointed out to you that this legislation is a most expensive way of assisting shippers in the remote areas of Canada where lack of competition has given the railways the freedom to charge higher rates than they charge in central Canada. Bear in mind that this is the situation which the legislation professes to correct. Yet the legislation does not limit the government's bounty to these remote areas of Canada—it assists shippers in central Canada as well.

We would like to refer to the appendix of our brief where the recipients of the subsidy are listed.

The Toronto, Hamilton and Buffalo Railway received \$123,358. Why? Surely it was not because of the requests of hard-pressed shippers in the maritimes or in the west.

And there are other payments remote from the reasoning behind the legislation:

Canada Steamship lines .....	\$272,311
New York Central System .....	92,197
Chesapeake and Ohio Railway .....	86,265

Why these gratuitous payments for the relief of a problem that was originally discussed by the maritime and western provinces with the governor in council? We submit that such payments are ridiculous. We submit that such payments alone are ground for re-examination of the legislation.

More recently, we have been staggered to find that the legislation before you has become a model for the distribution of a subsidy more than twice as large in the field of transport. We refer you to the \$50,000,000 subsidy which the government decided to pay the Canadian railways in 1961 and which was brought before the House of Commons one month after the railways reversed themselves on the question of their ability to settle with the non-operating unions, announcing suddenly in Montreal, in May 1961, that settlement would be made. When the \$50,000,000 subsidy came before the House of Commons, it was stated, in the explanation that appeared in supplementary estimates, that it was an interim payment "related to recommendations of the royal commission on railway problems pending its complete report". At the time this was said, only volume 1 of the royal commission report had appeared. There is no recommendation in volume 1 for an interim payment of any amount to the railways related to recommendations of the royal commission on transportation.

Whatever was at the bottom of the \$50,000,000 subsidy to the railways, it was paid to the same parties who receive payments under the Freight Rates Reduction Act and in the same proportions as the payments made under that act. To take some examples: the Toronto, Hamilton and Buffalo Railway, Canada Steamship Lines, the New York Central System and the Chesapeake and Ohio Railway were neither the subject of the recommendations of the royal commission on transportation nor were they parties to the wage settlement made with the non-operating unions one month before the \$50,000,000 subsidy came into existence. It is truly amazing, in our view, to see who some

of the parties were who got a part of the \$50,000,000 subsidy. Appendix A of this submission also tells that story. Here it is, in respect to the companies that we cited as examples:

Toronto, Hamilton and Buffalo Railway.....	\$133,046
Canada Steamship Lines.....	339,997
New York Central System.....	111,590
Chesapeake and Ohio Railway.....	79,166

These payments were made for no better reason than the precedent set in the legislation which you are considering today. The result is an irrational, frightening waste of public funds.

It has been clear right from the beginning that a subsidy for the purpose of freezing railway rates would lead to an ever-increasing burden on the national treasury. On January 13, 1959, a delegation of Canadian Trucking Associations met Hon. George Hees, then Minister of Transport, to submit a "Brief on the Issue of National Railroad Subsidization". This was two months before the introduction of the Freight Rates Reduction Act. In that brief, the Association stated:

It is submitted that the adoption of any subsidy scheme at this time would have certain long-range results—results going far beyond the present 17 per cent rate increase. It is also submitted that if any subsidy scheme was adopted in place of the 17 per cent increase such a scheme would be only the first step towards demands for payment of large, increasing and permanent subsidies.

In that submission, Canadian Trucking Associations also stated:

If a subsidy is granted for the purpose of reducing the rate increase resulting from the increased cost of the wage demands, it is logical to assume that all the future wage demands will have to be met in a similar way.

In this respect, Canadian Trucking Associations finds itself in authoritative company. The Canadian Pacific Railway, in its submission to the Turgeon royal commission on transportation of October 17, 1949, stated:

When government price fixing and subsidization are used, the inevitable tendency is to postpone politically unpleasant action until it becomes inescapable. What could have been done in small corrective steps becomes a landslide.

The second is really another aspect of that first point—namely the self-cleansing capacities of a free price system. Those whose incomes are a charge on the public purse are not given to removing the source of their livelihood at the earliest moment that it can be dispensed with. It is also with the receivers of subsidies. There are always good reasons why subsidies should be continued, and if they are continued they end by growing themselves and by contributing to the creation of others.

In a statement at Winnipeg on October 1, 1958, Mr. Donald Gordon, President of Canadian National Railways, was reported by the Winnipeg Free Press as saying that "subsidies could result in an economic trap." A few months later, in January, 1959, Mr. Clarence Shepard, who had just retired from the position of Chief Commissioner of the Board of Transport Commissioners, and whose judgment and integrity made him universally respected by all branches of the transportation industry, said in an interview with The Canadian Press: "I've yet to see a subsidy which has resulted in a long term solution to any problem." (Quoted in The Ottawa Journal, January 5, 1959).

The government received warning of the likely results of a subsidy policy aimed at freezing certain railway rates. Unfortunately, the results have been as predicted. The administrative problems of allocating the subsidy, on which we submitted our views to the government, proved to be more serious than expected. As the result of these problems, some subsidy funds have been spent on subsidization of railway traffic which by no stretch of imagination could be regarded as "captive" to the railways; the freight rate roll-back proved to be larger than expected.

Even more serious than the administrative problems, which partly stem from the fact that the objective of the subsidy has not been clearly stated nor incorporated into the legislation in an unambiguous manner, are the long term effects. As expected, a one year "interim subsidy" did not—because it could not—solve anything. The subsidy payments were extended, thus making the scheme a semi-permanent one. Again, as expected, the costs of railway operations have increased, and the same logic which was applied to the initial subsidy of \$20 million was applied to the further subsidy of \$50 million. Unfortunately, when the \$50 million subsidy was added to the initial subsidy, even less care was taken to make sure that only truly non-competitive or "captive" traffic would benefit, or that payments of the subsidy would not apply throughout the railway system and be used to subsidize operations in competition with other carriers.

The \$50 million subsidy, which followed by one month the settlement with the non-operating unions last year, was established in such a way that no provisions exist to refund to the treasury a portion of the payments should the actual cost increase prove less than expected, and the subsidy needs smaller than anticipated. In fact, the present railway subsidy scheme exists without any clearly stated justification at all. If this statement appears unfair, please consider the following: although the subsidy is apparently paid to keep non-competitive railway rates at a certain level, the legislation does not specify the level at which they are to be kept, nor—in respect to the \$50 million—does it provide any safeguards that payments must not be applied by the railways to other parts of their operation. This is perhaps the result of the fact that it has been realized, but never stated, that because many railway costs and operations are of the nature of "joint operations", such safeguards would be difficult to create—and this is another damaging feature of this subsidy scheme.

What the present subsidy scheme really amounts to is this: the railways are given large sums from the public treasury, with a precedent for being given more as their costs increase, and in return they are expected to reduce their rates to whatever level such rates can be reduced as the result of these payments. There also appears to be an implicit obligation by railway management not to embarrass the government by asking for any more rate increases. The effects on the trucking industry have been serious—for many companies extremely so. Quite apart from that situation, we protest, as taxpayers, against massive expenditures of public funds without strict controls and without clearly specified objectives explicitly approved and passed by parliament.

If we cannot persuade you that these considerations are reason for rejecting this legislation today, there is a consideration which we will now put to you, which we submit is reason in itself for rejection. We are talking about what you are doing to the trucking industry by perpetuating this rail subsidy legislation—related, and interlocked, as it is, with the whole issue of federal railway subsidization, now pouring out at the rate of \$100 million per year, \$50 million of it in a 'no strings attached' subsidy; \$50 million of it in subsidies to reduce railway freight charges.\*

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\* Freight Rates Reduction Act; Maritime Freight Rates Act; East-West 'bridge' subsidy; feed grain freight assistance.



We submit that the fundamental question before you is whether you, members of the parliament of Canada, will continue, after four years, to tell one giant of the intensely competitive transportation industry to reduce its prices, with compensation for so doing from the people of Canada, and ignore—as the legislation before you ignores—the losses inflicted upon competitors?

When you say on the floor of the House of Commons that 'it would be in the public interest to continue the benefits of the Freight Rates Reduction Act', or that 'we favour the principle of this legislation', have you considered that you are saying in this legislation to customers of the transportation industry: 'If you ship by rail—but only if you ship by rail—the Canadian taxpayers will provide you with a special reduced freight rate.'

How can you, in 1962, more than thirty years after the birth of the Canadian trucking industry, discriminate against the industry and its customers by picking the railways as parliament's chosen instrument for dispensing aid to the shippers of Canada?

We remind you of the testimony of Canadian Trucking Associations on the question of the impact of this legislation on trucking firms competitive with the railways.

I am glad we have referred to this in our submission as the question has already arisen this morning.

At page 92 of Minutes of Proceedings and Evidence No. 4, May, 1961, you will note that the executive secretary of CTA testified that the MacPherson royal commission on transportation asked the association to make a study in the province of Quebec of the trucking rates affected by the Freight Rates Reduction Act. Mr. George Montague gave you the results of the study and his testimony was as follows:

In particular instances where we did investigate because there had been a complaint raised by our people in Quebec as to the application of this Act, particular tariffs which were affected were C.N.R. No. C-100, C.N.R. No. CM-130-1, C.P.R. No. E-2180-B, and C.P.E. No. 1350. The truck tariff in Quebec—there is a procedure for filing truck tariffs as well, and the relevant truck tariff—was Tariff Rate Consultant issue 20-E, Gaspé 300, Lac St. Jean, and 100-101 Abitibi. In those particular instances those were the only ones we did investigate because at that time, as I understood our terms of reference, it was to find out whether we could substantiate the allegations we made. We substantiated it by finding out that in these areas truckers who were competing, were offering a service in competition to service offered by the railway under its class and commodity rates, and we found that when those rates were reduced it was the result of the action taken due to the provisions of this act, that the railway rate went down and trucking companies who were in competition were forced to bring their rates down as well.

This is from the minutes of proceedings and evidence No. 4 of the standing committee on railways, canals and telegraph lines, May 22, 1961, at page 92.

There is another way—if I may interject for a moment—of testing that. I would like to mention this now because it is something you may wish to consider during the luncheon hour and perhaps frame some question. It is another way of testing the competitive element in these so-called non-competitive class and commodity rates of the railway. An impression is going around that these do not affect the truckers at all, or affect them only very little. Mr. Kerr said that in 1961 non-competitive rates accounted for 30.9 per cent of the railways' revenues. Subject to correction by Mr. Kerr's advisers, we have estimated that in 1957 non-competitive rates accounted for approximately 40 per cent of the railways' revenues, and in 1949 non-competitive rates

accounted for approximately 75 per cent of the railways' revenues. The trend should be obvious. The effect of this subsidy upon the trucking industry must be acknowledged. In 1957 we must have been competing for about 20 per cent of the freight carried under so-called non-competitive rates at the time the Freight Rates Reduction Act was introduced.

Mr. MAGEE: I am sorry; that should be in 1959; I shall repeat that statement.

Mr. TURNER: Is that 1959 or 1957?

Mr. MAGEE: 1959. As I say, I will repeat the statement. In 1959 we must have been competing for about 20 per cent of the freight carried under the so-called non-competitive rates at the time that the Freight Rates Reduction Act was introduced.

Mr. LEWIS: Is that the year in which the 40 per cent was referred to or is that a different year?

Mr. TURNER: That was 1957.

Mr. MAGEE: Yes. To qualify it, I will print the statement at lunch time, Mr. Chairman, and we will distribute it.

That experience has been duplicated right across Canada. When truck operators know that among the reduced railway rates they are competing with are rates which parliament itself has ordered them to reduce they react with anger as would any citizen who was dealt with in this way by parliament. The knowledge that parliament is making available to the railways more than \$100,000,000 per year in subsidies, half of it tied to statutes that specifically direct the rail carriers to cut rates with which the trucking industry is in competition, has aroused tremendous resentment throughout the industry from one end of Canada to the other. Both employers and employees acknowledge that whatever the results of genuine competition between railways and trucking, the trucking industry must be prepared to stand or fall on its ability to give consumers a better freight service at favourable rates. There is no argument from the industry about that. But when we find that parliament interposes itself on the side of the railways and on the side of railways shippers we look to you—as we have a right to do—for prompt, equitable correction of the situation.

Please bear in mind that in addition to rate reduction subsidies of \$50 million—the Freight Rates Reduction Act, the Maritime Freight Rates Act, the East-West 'bridge' subsidy and the feed grain freight assistance—the second \$50 million, given to the railways last year with no strings attached, was followed precipitously by staggering new rate slashes. These have been maintained by the railways in the expectation, confirmed by parliament, that the \$50 million subsidy of 1961 would be renewed.

Hon. members of the Committee, if this keeps up, you will wreck the industry our people have built with toil, sweat and ingenuity over the past thirty years. 'For hire' trucking cannot stand much longer the Niagara of railway subsidies—\$100 million of them—which is engulfing the transportation industry.

We repeat with all the force at our command our plea to this committee in 1959, 1960 and 1961: we ask the committee to reject Bill C-91.

All of which is respectfully submitted.

## FREIGHT RATES REDUCTION ACT PAYMENTS

Year	Canadian National Railways	Canadian Pacific Railway	Algoma Central & Hudson Bay Railway	Midland Railway of Manitoba	Northern Alberta Railway	Ontario Northern Railway	Toronto, Hamilton & Buffalo Railway
1959	4,264,300	2,802,708	45,141	3,763	88,941	172	17,886
1960	10,735,839	7,925,067	104,059	20,743	264,895	374	54,019
1961	10,731,106	7,916,758	103,380	21,457	234,740	156	51,453
	25,731,245	18,644,533	252,580	45,963	588,576	702	123,358
	(29,015,610)	(19,343,740)	(267,320)	(55,483)	(606,993)	(404)	(133,046)

Year	Great Northern Railway	New York Central System	Chesapeake & Ohio Railway	Wabash Railroad Company	Canada & Gulf Terminal Railway	Napierville Junction Railway	Canada Steamship Lines	Totals
1959	1,488	11,399	15,367	24	2,546	906	45,786	7,300,427
1960	6,383	37,643	26,493		8,731	2,907	95,039	19,282,192
1961	3,951	43,155	44,405		10,511	3,580	131,486	19,296,138
	11,822	92,197	86,265	24	21,788	7,393	272,311	45,878,757
	(10,215)	(111,590)	(79,166)		(27,178)	(9,258)	(339,997)	(50,000,000)

NOTE: Figures in brackets represent "Interim Payments to Railways".

SOURCE: Hansard, November 7, 1962, pages 1367-1368.

The CHAIRMAN: Gentlemen, you have heard the submission made by Mr. Magee of the Canadian trucking association.

It is now after 12 o'clock. Members of the committee have stayed with us pretty well this morning. I am just wondering about asking for permission to sit this afternoon, in view of the fact that the witnesses from the board of transport commissioners cannot be here as well this afternoon. Would that make any difference?

Mr. COOK: (French) (*No record*)

The CHAIRMAN: Yes, we have permission to sit tomorrow morning. However, I was wondering, in view of the fact that witnesses from the Canadian trucking association are here—some have come a long distance and we do not want to create additional expense for them in having them stay over too many days—whether we should sit this afternoon. What is the desire of the committee?

Mr. ARGUE: Mr. Chairman, we could finish with them tomorrow morning, could we not? I think we could in one morning's session.

The CHAIRMAN: We will be able to sit tomorrow from 9.30 until 11.00 because most of the caucuses do not commence until 11 o'clock.

Is tomorrow morning at 9.30 agreeable?

Some Hon. MEMBERS: Agreed.

Mr. BYRNE: Mr. Chairman, why do we not sit this afternoon while the house is sitting?



The CHAIRMAN: We have not permission to sit while the house is sitting this afternoon.

I understand the minister cannot be here tomorrow morning?

What is the feeling of the committee in this regard? Shall we sit this afternoon?

Some Hon. MEMBERS: No.

The CHAIRMAN: Then will someone make a motion to that effect.

Mr. McDONALD (*Hamilton South*): I move that we sit at 3.30 this afternoon.

Mr. HORNER (*Acadia*): We have not permission to do so.

The CHAIRMAN: We have to have permission.

Mr. HORNER (*Acadia*): Mr. Chairman, I move we sit tomorrow morning at 9.30.

Mr. TURNER: I second the motion.

The CHAIRMAN: All right, gentlemen; we have a motion by Mr. Horner (*Acadia*) seconded by Mr. Turner that we sit tomorrow morning at 9.30. All those in favour?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: I declare the motion carried.

The committee adjourned.

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WEDNESDAY, December 12, 1962

The CHAIRMAN: Gentlemen, we have a quorum. The last item of business yesterday was the presentation of the brief from the Canadian Trucking Associations by Mr. Magee. We decided to ask Mr. Magee to return to the witness stand this morning so that members of the committee can question him as they wish. First on my list is Mr. Turner.

Mr. TURNER: Mr. Chairman, I have some questions to ask of Mr. Magee. However, does Mr. Magee wish to make a further statement?

Mr. MAGEE: I do not wish to stop you asking your questions, Mr. Turner, but I did promise to circulate a statement that I have made. Are we ready to do that, Mr. Chairman? That was the statement I interpolated during our submission.

The CHAIRMAN: Mr. Turner, will you wait a moment until the statement is passed around?

Mr. MAGEE: The French translation is not available as yet but one is being made now. A little later it will be available.

Mr. TURNER: I was wondering whether Mr. Magee wanted to explain his statement before I ask my questions.

Mr. MAGEE: Maybe we ought to read this statement into the record because there is a slight change from the statement made yesterday.

The CHAIRMAN: You may proceed, Mr. Magee.

Mr. MAGEE: The statement is as follows:

## NON-COMPETITIVE TARIFF BECOMES COMPETITIVE

In the course of presenting evidence on behalf of the Canadian trucking associations on Tuesday, we made an estimate of the percentage of the so-called non-competitive traffic which had become competitive since 1959. We based this estimate on certain figures given by Mr. Kerr. The statement made yesterday was in substance as follows:

Mr. Kerr said that in 1961 non-competitive rates accounted for 30.9 per cent of the railways' revenues. Subject to correction by Mr. Kerr's advisors, we have estimated that in 1957 non-competitive rates accounted for approximately 40 per cent of the railways' revenues and in 1949 non-competitive rates accounted for approximately 75 per cent of railway revenues. The trend should be obvious—and the effect of this subsidy upon the trucking industry must be acknowledged—in 1959 we must have been competing for about 20 per cent of the freight carried under so-called non-competitive rates at the time the Freight Rates Reduction Act was introduced.

We have had an opportunity of discussing this statement with representatives of the board of transport commissioners and they have pointed out to us that the figure of 30.9 per cent which Mr. Kerr used with reference to non-competitive traffic was calculated on a different basis than the figures used in the waybill analysis and, therefore, the percentages we attempted to compare were not strictly comparable. As a result it is necessary to revise our estimate somewhat.

The following figures, so far as they refer to the years 1958, 1959 and 1960, have been calculated from statistics published by the board of transport commissioners in its 1961 annual report. The figures for 1961 have been calculated from statistics given us by the board of transport commissioners.

The table shown below gives the percentage distribution of revenues obtained by the railways from various classifications of traffic. For purposes of this table we have eliminated statutory rates and multiple rates since both these classifications involve grain shipments at statutory rates. The volume of these shipments has fluctuated during the period and has influenced the percentage of revenue accounted for by other classifications of rates. We have attempted by this table to show the relative change in the importance of the so-called non-competitive rates during this period. The classification "mixed shipments" has been included by us as a non-competitive rate because this category includes very few shipments carried at competitive rates.

PERCENTAGE OF REVENUE OF CANADIAN RAILWAYS  
BY VARIOUS RATE CLASSES

	1958	1959	1960	1961
Class Rated .....	9.4	8.8	6.7	5.8
Commodity Non-Competitive .....	42.6	38.5	37.4	37.4
Commodity Competitive .....	26.4	29.9	30.6	29.2
Commodity Agreed Charge .....	15.7	17.8	20.9	22.6
Mixed Shipments .....	5.9	5.0	4.4	5.0
	<hr/>	<hr/>	<hr/>	<hr/>
	100.0	100.0	100.0	100.0
All Non-Competitive Rates .....	57.9	52.3	48.5	48.2

I might add, in reference to the table, that the non-competitive rates shown there are the ones described as class rated, commodity non-competitive and mixed shipments. The totals are given at the bottom.

During the hearings before this committee in 1959 the statistics available for the consideration by the committee were the statistics of 1958. Since 1958, the percentage of non-competitive rates has dropped from 57.9 to 48.2. In other words, approximately 15 per cent of the non-competitive rates in 1958 have become competitive rates and we say that this is a measure of the prejudicial effect of this type of subsidy upon the trucking industry. Bear in mind that when this legislation was introduced in 1959, this committee was assured that payments would only be made with respect to traffic for which there was no effective trucking competition. The table we have provided indicates that there has been effective trucking competition for at least 15 per cent of this traffic.

Mr. TURNER: Mr. Magee, as I was going to say before you introduced your supplementary statement, certainly I am very impressed, and I understand some of the other members of the committee were very impressed, with the excellence of the brief which you submitted to the committee and the trouble you have taken in preparing it. It seems to me that your principal argument—and you admitted it is your principal argument—is that the so-called non-competitive rate of the railways really affects goods for which there is truck competition or potential truck competition.

Mr. MAGEE: That is correct.

Mr. TURNER: What puzzles me is that you say the non-competitive rate is a vanishing breed, that is to say it is being replaced by a competitive rate, a competitive rate being a rate which the railway sets in order to meet truck or water competition, and yet you object to the extension of this act when competitive rates are not subsidized under the Freight Rates Reduction Act. In other words, if the area of competitive rates is increasing, surely the area of the rates that are not being subsidized is increased and therefore the trucking industry should have less objection to the extension of this act than it had two or three years ago. I am interested in your comments on that.

Mr. MAGEE: Well, Mr. Turner, for example, the tariffs that we stated yesterday which applied in the trucking industry in the province of Quebec were compared not with competitive tariffs of the railways but with the non-competitive class and commodity rates that were subject to the subsidy.

In other words, the study that we made at the request of the royal commission on transportation was to be a study to back up our allegations that there were certain rates under this act which were actually taking the subsidy, and which were in collision with existing truck rates which have forced them down. All the tariffs that we cited yesterday that were published in the province of Quebec were tariffs that were in conflict, not with railway competitive rates, and not with railway agreed charges, but were in conflict with railway non-competitive class and commodity rates that enjoy this subsidy.

There are undoubtedly—as was made clear in the statement of Mr. Montague last year and which we read into the record again yesterday—rates in other parts of Canada which are in exactly the same category. Our study was made in Quebec, and these were the results which we provided to the royal commission.

Mr. TURNER: On the basis of your additional statement this morning, you show that the non-competitive rate has diminished by 15 per cent. In other words, there is 15 per cent less traffic now carried under non-competitive rates.

Mr. MAGEE: That is right.

Mr. TURNER: In other words, the area of competitive rates has increased by that much?

Mr. MAGEE: Yes.



Mr. TURNER: Now, if this is so, then the area of the railway rates no longer under this subsidy has increased by 15 per cent.

Mr. MAGEE: That is true, and that is one thing actually that we predicted in 1959 before this committee. We said: "Do not put this subsidy into effect, but leave the competitive forces to work against each other," which is the competitive enterprise system—that is what we recommended here—"and allow them to exist, and it will not be necessary to put a subsidy in at all."

Mr. TURNER: If the competitive area has increased by 15 per cent—therefore 15 per cent of the railway rates have been taken out of the subsidy—then surely the position of the trucking industry is 15 per cent better than it was two or three years ago.

Mr. MAGEE: The fact is that some rates undoubtedly now are in the agreed charge category and are no longer subject to the subsidy; they are either competitive rates or agreed charges, and as the legislation makes clear, they do not take the subsidy. There are other rates in the province of Quebec, however, railways tariffs, which were made in the non-competitive class and commodity rate category, which are in conflict with existing truck rates. Why they were never changed to railway competitive rates, I do not know. But I believe Mr. Montague has something to say on this point.

Mr. GEORGE A. MONTAGUE (*Economic Consultant of the Canadian Trucking Association*): Mr. Chairman, I would add that to the figures, which are over-all figures for all Canada, and say that in particular areas the non-competitive rate is still a larger factor than it appears to be in these figures. Therefore, for the trucking industry, let us say, in New Brunswick, this may be a very important thing. You may still be talking of something which is of vital concern to them. Over-all in Canada, yes, the rates have diminished by 15 per cent, just as we predicted they would. But other signs show that in particular areas of Canada the trucking industry will be still highly prejudiced in those areas. This is the very thing we emphasized regarding this paying of a subsidy; and if you consider the trucking industry within, let us say, New Brunswick, Nova Scotia, the east-west haul, and wherever there is a lack of competition, then the subsidy would not be apparent. We still say that in these areas you are affecting adversely forces which may assist you in overcoming this problem eventually.

Mr. TURNER: What is your comment on the statement of the chief commissioner, Mr. Kerr, yesterday, that only about 5 per cent of railway traffic is covered by the subsidy; therefore, only about 5 per cent of class and commodity rates are being carried by the truckers by truck today?

Mr. MAGEE: Mr. Montague has been making a study of this, not only since yesterday, but preliminary to this committee hearing, so I shall ask him to answer.

Mr. MONTAGUE: It is a difficult matter to give an answer to; whether it is 5 per cent, 10 per cent, 15 per cent, or even 20 per cent, we do not really know. One would think in hearing some sort of statement like that, there was almost none of this trucking actually subject to competition. But one thought has been established here, and it is that a lot of it was subject to competition. We feel the same thing is true regarding this situation today; it may be a little less true, but nevertheless it still applies.

Mr. Kerr made an estimate—or his advisors have made an estimate—and this may be right. But we suspect it. We think that, as has happened in the past, these rates are all subject to competition. We advise you that the only area available for increase in trucking traffic, aside from the general increase

in the economy, is in fact the rates which are now non-competitive rates and the freight that is carried under those rates. That is the only place we get our traffic from, aside from what we create ourselves.

If, in 1949, you had applied this act, you would have been hitting us with 70 per cent of all the traffic, and you would still be saying that this is traffic which no one competes for. We say that you were wrong in the past and you are wrong now, you being the government of the day which may pass the legislation.

Mr. TURNER: On page 7, Mr. Magee, you spoke of the administrative problem of allocating the subsidy.

Mr. MAGEE: Yes.

Mr. TURNER: Would you please expand on that statement?

Mr. MAGEE: Again, I would ask Mr. Montague to speak to it on page 7.

Mr. MONTAGUE: I think what we are trying to drive at on this point is the administrative problem in trying to overcome the difficulty which was first anticipated, or which the government attempted to remedy, namely, the administrative problem, and it is one by which these funds have been dissipated over areas where they never were extended to be spent. For instance, by taking the easy way out, that is, by applying the subsidy to non-competitive rates, and they are thereby suffering from administrative costs at one end of the thing, and by taking this action, they have radiated this subsidy so that we now have administrative costs which are involved in paying out the subsidy where it was never asked and never required; American roads are getting 25 per cent of it, and roughly \$4 million a year goes to central Canada.

We say that you should look at this and try to figure out what administrative costs are involved. That is the sort of thing you should be looking at. This cost should afford more relief to the shippers of the western provinces and the maritimes than is apparent from an immediate look at what the administrative cost is. You are in fact paying the C. and O. \$100,000 or \$200,000, and you are paying the Toronto, Hamilton and Buffalo Railway. We say that this should be considered when talking about administrative costs.

Mr. McDONALD (*Hamilton South*): I would like to ask Mr. Magee a couple of questions in respect of his brief. It seems to me the allegation you make is that, because of the subsidies, the railways enter the trucking field and use the methods of the railways and their entrance into the trucking business is unfair competition to you. In other words, they can use agreed charges and other methods, thereby giving you unfair competition in the trucking industry. Is that correct?

Mr. MAGEE: On the question of the railways entering into the trucking field, I think the views of the trucking industry are well known; we are opposed to it. We are opposed to the competitive industry, which is the trucking industry, which broke the railway monopoly on surface transportation in this country 30 years ago, being taken over by the railways and at least monopoly control or domination being reasserted. It has not yet been reasserted, but we say that the trend is in that direction now as a result of the purchases of trucking lines that have been made by the Canadian Pacific Railway and the Canadian National Railways.

Mr. McDONALD (*Hamilton South*): I have had certain information conveyed to me that the subsidies that are given are helping the railways lower their agreed charge rates—

Mr. MAGEE: Yes.

Mr. McDONALD (*Hamilton South*): —and going into violent competition with the trucking business, and this is, I assume, one of the reasons why you are here today opposing the Freight Rates Reduction Act.

Mr. MAGEE: Yes. Certainly the \$50 million subsidy is, as we said in our submission, a no strings attached subsidy and is paid on the basis of the \$20 million subsidy, which is a subsidy of general assistance to the railways. This cannot help but have an effect on the competitive level of their rates. In fact, yesterday we stated in our brief that there is a direct relationship between that subsidy and the further lowering of rates which took place at the time it went in. There are certain federal subsidies, or one in particular I know of, where the subsidy is actually being paid on the competitive rates and agreed charges as well as on the non-competitive rates; that is the maritime freight rates subsidy. In fact the MacPherson royal commission on transportation, whose report has been spoken of very favourably in parliament by the minister, had some very definite things to say in that regard in criticism of the present workings of the maritime freight rates subsidy.

Mr. McDONALD (*Hamilton South*): The thing I am trying to get at, and about which I am somewhat confused, is when the railways through subsidization ship goods, let us say from Vancouver to Toronto, they own the trucking company that transports some of this material, say, from Toronto to Peterborough. We are told their operation of trucks is a separate operation and if the goods were subsidized from Vancouver to Toronto, the trucking operation is not subsidized carrying the same goods from Toronto to Peterborough.

Mr. MAGEE: Yes.

Mr. McDONALD (*Hamilton South*): In your business the bill of lading that would be instituted would go from Vancouver to Peterborough, if you were in the trucking business.

Mr. MAGEE: Yes.

Mr. McDONALD (*Hamilton South*): I find it hard to believe the statement of the railways that from Toronto to Peterborough it is not subsidized in respect of the trucking. Would you comment on this, in respect of this instance of shipping goods from Vancouver to Peterborough?

Mr. MAGEE: Certainly so far as shipments carried wholly by the railway truck lines, and solicited as trucking companies, are concerned, I doubt whether there is any direct subsidy coming from federal subsidies to the railways on those shipments, except in the following circumstances: If you ship the shipment on a railway bill of lading at the railway rate, the shipment may go part of the way by rail and part of the way in a railway truck; in that circumstance that shipment, if it is within the category of the federal subsidy provisions, certainly will be subject to the subsidy.

Mr. LEWIS: How?

Mr. MAGEE: In this way: As a matter of fact, the board of transport commissioners, if an interpretation given to their rulings by the Canadian Pacific Railway is correct—has in effect in a certain area in the maritime provinces this very situation. During the hearings of the MacPherson royal commission on transportation we introduced as evidence a letter that was written by the legal department of the Canadian Pacific Railway to the chairman of the board of commissioners of public utilities of Nova Scotia which at that time was hearing an application by Smith Transport Limited for expanded operating rights in the maritime provinces. The maritime motor transport association had raised the point that some of the operations of Smith Transport which was a Canadian Pacific subsidiary might be subject to the maritime freight rates subsidy paid to the railways. The board halted the hearing until the Canadian Pacific gave an explanation of exactly what did happen. When the hearings resumed some weeks later, the Canadian Pacific produced a letter which stated that the board of transport commissioners had decided that where a shipment was a



combined rail-truck shipment—I have reference to the railway-owned trucks—and where the haul was predominantly by rail, the full shipment movement would be subject to the maritime freight rates subsidy.

Mr. LEWIS: You are not talking about the Freight Rates Reduction Act; you are talking about the maritime freight rates subsidy.

Mr. MAGEE: It can happen.

Mr. LEWIS: I just wanted to understand what you are saying.

Mr. CHEVRIER: Might I interrupt to say that unfortunately we have a meeting at ten o'clock and were not aware of the calling of this meeting this morning for 9.30.

The CHAIRMAN: It was called at the end of the meeting yesterday. I wish that some of your members had mentioned to you at the time that there would be this meeting.

Mr. CHEVRIER: I am not asking that the meeting be adjourned, but I am bringing to your attention that I am afraid that some of us will have to retire.

Mr. SMITH (*Simcoe North*): It would appear, from the way this committee is developing, that we are going to have a certain amount of rebuttal evidence and perhaps now would be a good time to consider whether or not we should obtain permission to sit while the house is in session. We are going to have other witnesses as well as Mr. Magee and Mr. Montague and we want to get them in on consecutive hearings if possible. Would this be the time to consider this?

Mr. CHEVRIER: That is a matter for the committee to determine. Having regard to the business of the house which has not yet been determined, it is my opinion that this committee cannot make that decision at this time. I mention this with respect. First, there is interim supply this afternoon. I do not think a decision should be taken until the house leader has determined the business that is going to be debated from now to the Christmas recess.

The CHAIRMAN: Of course, you must understand that some of these witnesses who are here in respect of the trucking brief have come from as far away as Vancouver. If this committee goes on until next week and they are still here, it will cost them an extra amount of money.

Mr. CHEVRIER: That may be true, but I must say to you that the business of the house has not been conducted, in my opinion, in such a manner as to allow the house work to go on and this committee to do its work as well.

Mr. SMITH (*Simcoe North*): Do you not think, Mr. Chevrier, that in dealing with the problem we have some regard for the fairness of the chairman of this committee who, I am sure, would not embarrass you deliberately.

Mr. CHEVRIER: Do you want to deal with the question of sitting while the house is in session now?

Mr. SMITH (*Simcoe North*): Yes.

Mr. CHEVRIER: I do not think you can do that until after the leaders have met at 2 o'clock this afternoon. Perhaps we could have your question brought up this afternoon or tomorrow.

Mr. SMITH (*Simcoe North*): You are not suggesting that the committee adjourn now, are you?

Mr. CHEVRIER: I am putting our position to the chairman of the committee and all I am saying is that some of us have to leave. Our meeting already has begun and, in view of things of this nature, sometimes the committee decides that some action should be taken.

The CHAIRMAN: Committee business is business of the house and your own internal workings in your party should not interfere.

Mr. LEWIS: Mr. Chairman, I do not think Mr. Chevrier can make his plea this morning with very great justice because the question of the hour when we were to sit was discussed yesterday with some members of his party present. There may have been some misunderstanding in his own ranks, which happens sometimes. I have known it to happen in our ranks and in other people's. However, this was discussed with members representing all parties present and we decided to sit between 9.30 and 11 o'clock this morning.

In view of the very excellent presentation made by the trucking associations, I do know that there are other people and other organizations concerned with this whole problem which Mr. Magee has raised and who want an opportunity to appear before this committee. Although they have not yet informed you, they will. There was no idea that it was going to develop this way and they may need a day or two to prepare themselves. At some time I think we ought to consider when we will meet again after we have completed the evidence from the trucking associations so that we can make public our sittings with the result that interested people will know of this and also know where to come.

The CHAIRMAN: Thank you, Mr. Lewis.

What is the feeling of the committee with regard to sitting while the house is sitting? Could we have a motion on this?

Mr. CHEVRIER: I thought we were going to hold that until we saw what the business in the house was going to be?

Mr. LEWIS: I support that, Mr. Chairman. It seems to me that until the people who are concerned with house business have had a talk in order to ascertain what the business on the floor of the house will be for the next five or six days we should not proceed with this. We do not have very much time left before adjournment and I do not think that this committee ought to make any decision on the matter at this time.

Mr. BELL (*St. John-Albert*): Mr. Chairman, it strikes me that perhaps we could wait until this afternoon before we make this decision. But, may I say, Mr. Chairman, government members are under the same disability as opposition members are this morning. This is our traditional caucus morning and we will be facing the same problem at 11 o'clock. I suggest that we continue this morning as we had decided upon; everybody will have a similar disability. And I suggest, Mr. Chairman, you might call your steering committee in order that they may make the contacts this afternoon after this decision has been reached which Mr. Chevrier refers to, and then we can plan and plot our hearings for the future along the lines of Mr. Lewis' suggestion.

The CHAIRMAN: Mr. Chevrier, will you appoint two members to the steering committee—it has not been appointed yet—and have them appear in my office at 4 o'clock.

Dr. Marcoux, will you appoint one of your members to be in my office for the steering committee meeting.

Mr. Winch, Mr. Fisher, or Mr. Lewis, will you arrange that one of your members be present.

Mr. LEWIS: Mr. Winch is here.

The CHAIRMAN: Will someone make a motion that the steering committee be set up?

Mr. SMITH (*Calgary South*): Mr. Chairman, I will so move.

Mr. LEBOE: I second the motion.

Motion agreed to.

The CHAIRMAN: I would ask that the steering committee meet in my office this afternoon at 4 o'clock.

Mr. McDONALD (*Hamilton South*): In other words we will not be meeting this afternoon?

The CHAIRMAN: We have not the permission to sit this afternoon, Mr. McDonald.

Mr. McDONALD (*Hamilton South*): When does this committee adjourn this morning?

The CHAIRMAN: At a quarter to eleven we have to be out of this room because it is required for another meeting.

Mr. McDONALD (*Hamilton South*): In other words, there is no other sitting until tomorrow?

The CHAIRMAN: Yes.

Has Mr. Byrne a question?

Mr. McDONALD (*Hamilton South*): Mr. Chairman, I do not want to argue with the Chair or other members of the committee; however, I would like to say that in my opinion this meeting to which reference was made should be held before 2.30, after the leaders have had an opportunity to find out what the business of the house is to be, so that we might have an opportunity perhaps to sit this afternoon in order that these people may be heard.

Mr. ARGUE: They will not be meeting until 2 o'clock and the house does not sit until 2.30; you are just short of time.

Mr. McDONALD (*Hamilton South*): We are short of more than time.

Mr. ARGUE: You can say that again.

Mr. HODGSON: Mr. Chairman, this is a very important meeting; people have come from a long distance and I do not see any reason why we cannot meet tonight.

Mr. COOK: Mr. Chairman, I was going to say that we have already lost 15 minutes this morning discussing this. As proposed yesterday I think we should adjourn until 11 o'clock. Why do we not return at 3.30 after it has been ascertained what is going on in the house?

The CHAIRMAN: We have to pass a motion in this committee asking permission to sit while the house is sitting and we have to present that when motions are called in the house. It has to be passed by the house first.

Mr. COOK: But at 3 o'clock we will know.

The CHAIRMAN: We have to pass it in our committee first; then report to the house and they have to agree to it.

Mr. LEWIS: Gentlemen, let us get this clear. I am sure the truckers are interested in this hearing and, like other people, we are very delighted to see as many of them in attendance. But, I am sure they will not misunderstand or feel insulted if I suggest they do not all have to be present. They have an excellent spokesman and if any are from long distances away, interested as they are in the proceedings, I do not think they would have to come back as it is my opinion that Mr. Magee and his assistants are quite capable of making the presentations and subjecting themselves to questions.

The CHAIRMAN: That will be taken into consideration in the steering committee meeting.

Mr. LEBOE: Mr. Chairman, I think we should get on with the business.

Mr. SMITH (*Calgary South*): Agreed.

Mr. WINCH: Mr. Chairman, this is a most important matter; it is such an important matter that there are a couple of questions I would like to ask for clarification. Mr. Magee was at our hearing yesterday and he heard the statements made and the evidence given by Mr. Kerr in which it was stated that



there is no subsidy paid on any part of the trucking business in connection with the equipment which is owned by either the C.N.R. or C.P.R. Also, you have heard the evidence that no subsidy is paid on freight for export purposes but only in the domestic field. In view of that information, do I gather from the presentation which you made yesterday morning and this morning that it is your request the subsidies be discontinued with the result that the C.N.R., C.P.R. and all railways concerned will increase their domestic freight rates from the now 8 per cent to 17 per cent with the axiomatic result that the shipper shall be charged and, therefore, with that increased cost to the domestic consumers of Canada the railways will be carrying—and I do not know the exact figure—the majority of domestic freight, where it is 75 per cent or 95 per cent. Is it your contention that that should be done?

MR. MAGEE: Our contention, Mr. Winch, is that the subsidy should be removed, and our contention in 1959 before this committee, in 1960, 1961 and again this year is that if it is removed competition will hold down the railway rates, and competition will do as much, in a more efficient way, as the subsidy and at no expense to the Canadian taxpayer.

MR. WINCH: Is it your contention, therefore, Mr. Magee, that the board of transport commissioners were wrong in their decision that there was need for a 17 per cent increase in freight rates?

MR. MAGEE: Mr. Winch, we were not involved in those proceedings because we have no status under federal legislation before the board of transport commissioners. We cannot do more than sit at their hearings and listen to what takes place. On that basis we do not attend their hearings. This situation, incidentally, is not the fault of the board of transport commissioners. That is the state of federal legislation at this time, so I know very little about the proceedings in respect of the 17 per cent increase other than what I have read in the newspaper reports. I know that the board did hold lengthy hearings and that the western and maritime provinces opposed the application of the railways for an increase. I know that the increase was granted by the board and put into effect by the railways early in 1959.

In January, 1959, when we suspected very strongly that the government was going to roll back that increase with a freight rate reduction subsidy we had that meeting with Mr. Hees to which I referred yesterday. That meeting took place in mid January 1959. At that meeting we strongly suggested to the minister that this type of legislation should not be put into effect, but we said that if it was it would represent the beginning of not one subsidy but many and ever expanding subsidies, and that is what has been happening.

MR. WINCH: Mr. Chairman, I have just one other question to ask, and I ask it for the purpose of getting information only. I have noted consistent objection by private truckers' associations to our national railways purchasing trucking concerns. I would like to ask Mr. Magee if this is not a two-way street and that in order to be able to buy there must be concerns willing to sell? If my information is correct, and if it is not I hope Mr. Magee will straighten me out, those that did sell to the C.N.R. and C.P.R. were and had been for a number of years in a profit making situation?

MR. MAGEE: I do not know what their financial positions were, Mr. Winch. I have heard stories very favourable about some and extremely unfavourable about others which were purchased by the C.N.R., but I am not able to prove any of those stories and would not even want to make an allegation.

MR. WINCH: You will agree that this is a two-way street and in order to buy there must be someone willing to sell?

Mr. MAGEE: Mr. Winch, this is a free country and people in our industry are always willing to sell to the C.N.R. when it comes along with the right price.

Mr. McDONALD (*Hamilton South*): That applies in respect of the C.P.R. as well, I take it?

Mr. WINCH: Why do you always mention the C.N.R.? I understand the biggest transport company was purchased by the C.P.R., was it not?

Mr. MAGEE: You are quite right, Mr. Winch.

The CHAIRMAN: Gentlemen, I think that at times we roam away from our terms of reference.

Mr. SMITH (*Simcoe North*): Mr. Montague, in giving evidence a little while ago spoke about an uneven rate of development of trucking competition to railway competition. The federal government does not have any jurisdiction over the issuance of trucking licences; is that right?

Mr. MAGEE: No, that is not entirely correct, sir. Trucking licences in respect of international and interprovincial trucking companies in Canada are issued under the federal Motor Vehicle Transport Act of 1954. As you gentlemen are aware the procedure of that act is, in effect, to appoint provincial regulatory boards as federal controlling agencies for international and interprovincial operations of the trucking industry, but the jurisdiction over the international and interprovincial trucking in Canada is federal and belongs to the Parliament of Canada. That was a decision of the privy council on February 22, 1954 and it has never been changed.

Mr. LEWIS: Are you referring to the decision made in the Winner case?

Mr. MAGEE: That is right.

Mr. LEWIS: There was an act passed after that, was there not?

Mr. MAGEE: Yes, there was a federal act passed after that which is still in effect. As a matter of fact, if you look at the licensing procedures of the various provincial boards, which, when they sit on international and interprovincial cases, are functioning as federal boards, you will see at the top of the page the notation that the hearing is being held under the Motor Vehicle Transport Act, Canada, 1954.

To put this another way, I was at a hearing last year of the Quebec transport board where we opposed the sale of Midland Superior Express Limited and Husband Transport Limited to the Canadian National Transportation Limited, and the chairman of the board said: "I want to tell everyone that at this hearing I am sitting with my federal hat on and this hearing is being held under the Motor Vehicle Transport Act."

Mr. SMITH (*Simcoe North*): In the provinces within which trucking companies do not have extra provincial rights, this is a matter exclusively of provincial concern?

Mr. MAGEE: That is right.

Mr. SMITH (*Simcoe North*): Does the federal government have any control over truck freight rates in that regard?

Mr. MAGEE: No, the federal government has no control in this regard. The Motor Vehicle Transport Act of 1954 does make provision in the regulation of international and interprovincial trucking rates. It makes the provision that where, in a province, a provincial board regulates trucking rates, it may in its discretion regulate international and interprovincial trucking rates.

Mr. SMITH (*Simcoe North*): In how many of the provinces does there exist freight rate regulatory bodies for trucking companies?

Mr. MAGEE: Regulatory bodies exist in British Columbia, Saskatchewan, Manitoba and Quebec. Rates are also filed in the provinces of New Brunswick and Nova Scotia.

Mr. SMITH (*Simcoe North*): Rates are filed in those provinces but not regulated?

Mr. MAGEE: If I may I should like to delay my answer to that question until I have had the opportunity of making sure that I can give you an exact answer Mr. Smith.

Mr. SMITH (*Simcoe North*): Another factor in respect of the inhibition or encroachment upon the development of trucking competition within a given area has to do with the rate at which heavy duty highways are developed; is that right?

Mr. MAGEE: The availability of highways certainly has a very definite relationship to the development of our industry. We have not, I might say, ever asked for the building of any highway in Canada. For example, in respect of the run from east to west we made arrangements to run through the United States in running from points such as Vancouver to Toronto or Edmonton to Montreal. A great deal of that run has taken place over United States highways. We made arrangements to do so in the early 1950's and we have worked with that system ever since. The government has seen fit to build a trans-Canada highway which is now close to completion and undoubtedly some of those companies will begin to use that highway.

Mr. COOK: We heard about a two-way street. Could you tell me, Mr. Magee, how many trucking enterprises have sold themselves out in the last three years, and whether for reasons of competition in rates or for some other personal reasons.

The CHAIRMAN: Mr. Winch asked that question a few minutes ago about the profits and loss of some of the companies. I do not know whether the Canadian trucking association carry that information with them; I doubt whether they do. This is the business of individual members of the association, and, Mr. Magee, I do not suppose you have all that information.

Mr. MAGEE: We have not, Mr. Chairman. The financial statements of the trucking companies are not all available to us. There are one or two which are public companies and they issue financial statements. Incidentally, I do not know if their competitive disability is so bad, although we are given to understand it is a terrible thing.

Mr. SMITH (*Simcoe North*): Are you volunteering to have all trucking companies make their financial statements public?

Mr. MAGEE: I would not be here tomorrow if I did.

Mr. LEWIS: Mr. Chairman, I should like to speak on your ruling, if I may. I am interested in it from another point of view and may come back to it in time. I would like to draw your attention to a statement in the brief on page 8.

Mr. BEAULÉ: I understood I had the floor.

Mr. LEWIS: I thought the Chairman ruled that you could not ask a question on this point. The statement to which I referred is the following:

The effects on the trucking industry have been serious—for many companies extremely so.

It seems to me entirely proper for members of the committee to try to find out exactly what is the information behind that statement.

Mr. WINCH: That was the reason I asked the question in the first place.

The CHAIRMAN: Of course, it is up to the committee, but it is also up to the witness.



Mr. WINCH: If it appears in this brief, I am sure the witness will be very happy to comment on it.

Mr. MAGEE: I am not speaking on the basis of having seen the financial statements of trucking companies but I am speaking on the basis of having attended many trucking industry meetings across Canada from Newfoundland to Vancouver Island on the subject of the effect these subsidies are having on our industry. I notice that there are many trucking companies in Canada that are having an extremely difficult time of it. That is one of the reasons why you are seeing the mergers and the sales that are taking place. I think there cannot be any doubt in the minds of you gentlemen that if you continue to pay \$100 million a year in subsidies to the railways, it can only have a most serious effect on the trucking industry, and perhaps it is going to produce a brand new transportation problem in Canada that will end up in your lap also.

Mr. SMITH (*Simcoe North*): You would not seriously suggest that the mergers and sales are caused entirely by the subsidy?

Mr. MAGEE: No, sir; that is one of the problems that we say are creating a serious situation in the trucking industry.

Mr. SMITH (*Simcoe North*): I come from an area in Canada where there have been a great many sales and mergers recently, and I am sure the subsidy has had very little to do with any of them.

Mr. MAGEE: Yes, I hope that that is so.

M. Robert BEAULÉ: Monsieur le président, je voudrais poser une question à M. Magee. Si, dans son opinion, une partie des subsides accordés aux compagnies de chemins de fer est affectée au transport routier de ces companies . . .

Mr. MAGEE: So far as they are not being paid to any trucking companies owned by the railways, but the general effect of that much subsidization going into the parent companies of these trucking companies cannot help but put them in a preferred competitive position.

M. BEAULÉ: Est-ce que les feuilles de route, les "way bills" du "CN" peuvent être employés également par les camions ou par le chemin de fer?

Mr. MAGEE: You mean by the railway trucks?

M. BEAULÉ: Quand les camions sont sur les trains, quel genre de "bills" emploie-t-on?

Mr. MAGEE: What kind of truck, do you mean CNR trucks?

M. BEAULÉ: Oui, les camions du "CNR".

Mr. MAGEE: I want to find out what kind of trucks we are talking about, because there are several different categories which go by piggyback. Are these Canadian National Railways trucks?

Mr. BEAULÉ: Yes, Canadian National Railways.

Mr. COOK: Or Canadian Pacific Railway trucks?

Mr. MAGEE: That answer has to be given in two sections, because there are two types. In the case of the Canadian National Railways, there are two types of Canadian National Railways trucks which travel by piggyback. First of all, there are the trucks of their own truck lines, such as East-West Transport Limited, and Empire Freight Ways, and so on. Those trailers are carried, according to the railway, under exactly the same conditions as any commercial truckers' vehicles, and the truck line would pay for the service. And the second situation is where the railway itself is providing the piggyback service as a railway service. In that case of course it uses highway trailers. But the highway trailer in that case is in the same category as a box car; they are selling railway service to the shipper which involves piggyback, and that service is provided to the shipper at the rate in the railway tariff, and the freight simply moves in their trailer instead of in a box car.

Mr. BEAULÉ: In that case, part of the subsidy is affected by this transportation.

Mr. MAGEE: I am afraid I do not understand.

Mr. BEAULÉ: I said that in that case, is a part of the subsidy affected by this transportation by piggyback?

Mr. MAGEE: Indirectly the over-all subsidy—for example, the \$50 million subsidy, that is the chief one which affects the railway operation in a beneficial manner; I do not think there can be any doubt about that.

Mr. SMITH (*Simcoe North*): I have a supplementary question: you have spoken of an indirect benefit; is much of the goods covered by this freight assistance act actually carried in piggyback trucks or in the piggyback type of trucks? Is the percentage high, dealing with it in relation to the possibility of the railways getting a direct subsidy from their trailer business?

Mr. MAGEE: We are now talking about freight moving in railway trailers.

Mr. SMITH (*Simcoe North*): In railway trailers or in piggybacks, the type of freight that is subject to this act.

Mr. MAGEE: I would think that very little of that freight would come within this, because I do not think the type of freight that is moving in the railway piggyback trailers, as part of the railway piggyback service they are selling, would come very heavily under the provisions of the Freight Rates Reduction Act.

Mr. LEBOE: Could you give me some information, Mr. Magee, in connection with the possibility of the shipper paying a full freight charge and having the waybill stamped that it is a class or kind commodity which would be subject to a subsidy, so that the shipper could in effect choose either the railway or a truck line to move the freight from point A to point B, and apply for the subsidy himself. Could this be done? Is the administration of such a thing possible?

Mr. MAGEE: That, in essence, is very roughly the proposal that we made to this committee last year in respect of the Freight Rates Reduction Act. We are opposed to the subsidies. We say that if subsidies are going to be paid, that is the decision of parliament. This subsidy, the one we are talking about now, is not one to help the railways. The MacPherson royal commission makes clear it is not to help the railways at all; it is to help the shippers. We say that if parliament is going to pass subsidies to help shippers, then let them give the aid by either paying it to them directly or paying it through all the transport media which are competing for the traffic.

Mr. LEBOE: I am not a trucker and I do not know how the waybill works, but it would seem to me that there could be a stamp that could be stamped on a waybill which would identify it for the shippers who do not know anything about classifications, tariffs, and so on. The transportation companies would know this and would be able to classify the waybill so that they could, in fact, pick up the subsidy themselves, having paid the full freight and having chosen which type of transportation they want to use. Is this possible?

Mr. MAGEE: Yes. I think what I would like to do is ask Mr. Montague to deal with this question because it arises in connection with another federal subsidy of \$20 million on the movement of western feed grains. That subsidy is paid directly to the shipper. Proof must be given by the shipper that the shipment has taken place, and he can only get it if he ships by rail or boat; boats get into this. The MacPherson royal commission strongly criticized the payment of the subsidy in that manner and said that the trucking industry and other forms of transport should be included and that the shippers should have a free choice of transport agencies and that subsidies should only be paid

on the lowest cost movement which is available. This is quite satisfactory to us, I can assure you. At the present time the departmental officials of the Department of Agriculture have been discussing this matter with us. There is an administrative problem which arises, and Mr. Montague has been working on the submission we are preparing for the department now which has been asked for.

Mr. MONTAGUE: We have always said that subsidies, if they are necessary, could be handled in this manner. We propose to make several suggestions to the Department of Agriculture regarding this particular subsidy which is in respect of shipments of feed grain. This subsidy now is only available on shipments moving by rail. We have argued that subsidies should be available for shipments moving by rail or truck or both. Generally, we propose two methods of handling it in this instance. One is that the subsidy be paid directly to the shipper, if the government is concerned about the administration. I should have prefaced my remarks by saying that the government or the particular department in question has indicated to us that they are concerned because truckers may not be as reliable as railways with the result that truckers and shippers may get together and defraud the government. We feel, at best, that this is a remote possibility and we do not feel that the position taken by the government should be built on the supposition that truckers and shippers will do that. But, that is the main objection to paying the subsidy to trucking companies.

There was a further difficulty with the subsidy; their objection was: how would we know what is the lowest rate? One of our proposals was to make sure the shipper pays part of the rate, in which case you get, through the shipper, his signature in connection with the lowest rate. Secondly, you can simplify the administrative business, in effect, and devote some administration costs to inspection and auditing of trucking companies and shipper's facilities on a very spot type basis. This would be the way to keep them honest. But, as you outlined, the way it could be done would be for the truckers' bill of lading to be presented by the shipper and the shipper receive compensation on the basis of that.

Mr. LEBOE: I wanted to know whether there was in your mind a possibility of doing it and your answer is that you believe it is quite possible for the shipper to pay the full rate and then obtain the subsidy. As I am interested in particular areas, I would like to ask the same question later on of another witness.

Mr. BELL (*St. John-Albert*): Mr. Chairman, I would like to ask either Mr. Magee or Mr. Montague a question with respect to the trucking situation in a certain area, for example, New Brunswick. There has been some suggestion that there is a lessening of competition and I wondered whether you could in a general way relate this lessening of competition to the Freight Rates Reduction Act in the first instance and to the Maritime Freight Rates Act, secondly, and if there is any superimposition of the two on each other, with examples, if possible.

Mr. MAGEE: It is difficult to give specific examples in respect of specific companies because we represent more than six thousand companies across Canada, with the result that we do not have the time to go into the individual offices and check the impact of these things on each individual company. But, in the maritimes I think the most important point is that the trucking industry here is actually being subjected to the effects of two freight rate reduction subsidies. They have a dual impact. Some of them are being affected by the Freight Rates Reduction Act and all of them are being affected by the maritime freight rates subsidy. That was the finding of the MacPherson commission in respect of the Maritime Freight Rates Act.



The commission said at page 212 of volume 2, and I am quoting from the middle paragraph of that page. In order to save time I will not quote it in its entirety. It states:

In fact, evidence was presented to us which would indicate that the internal payments made under the act, which are paid on rail movements only, tend to inhibit the full development of alternate modes of carriage in the Atlantic region. With this contention we are in agreement.

That is the end of the quotation.

The CHAIRMAN: Gentlemen, our time in this room is up now and we will have to adjourn.

Mr. ROCK: Mr. Chairman, I should like to ask one short question as a result of the fact that I am slightly confused as to what this trucking association is asking for.

The CHAIRMAN: Gentlemen, we have used our time.

Mr. ROCK: My question is very short, Mr. Chairman.

The CHAIRMAN: I am sorry but we must adjourn now.

Mr. ROCK: I am confused as to whether the association wishes us not to extend this year's subsidy or whether it wishes to receive part of the subsidy.

Mr. MAGEE: Our request to this committee is to not extend the subsidy.

Mr. ROCK: You do not wish to share in the subsidy?

Mr. MAGEE: No.

Mr. LEWIS: Mr. Chairman, will Mr. Magee be back with us at our next meeting?

The CHAIRMAN: Yes, Mr. Magee will be back with us later.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I should like to continue my questioning at our next meeting.

The CHAIRMAN: Yes, Mr. Bell, I have several names on my list, and these individuals will have an opportunity of asking questions when we meet again.

We will adjourn now until tomorrow morning at 9:30. Will the designated members of the steering committee attend a meeting in my office, room 445-S at 4 o'clock, this afternoon, in order to discuss the question regarding individuals to be called to give evidence to this committee.

The following is the English translation of questions and answers in French on the date indicated.

December 11, 1962.

(Pages 71 and 72)

Mr. GAUTHIER: I would like to ask the chairman a question. From the start, mention has been made of the CN, it seems to be implied that their trucking system is not included in the report. Is this so? Are we dealing exclusively with the CN or are we dealing with the CNR and its trucking organization? This is what I would like to know.

The Hon. Mr. BALCER: The bill we have before us, Mr. Gauthier, is aimed at compensating the railways for the loss that they suffer as a result of the difference between the claimed increase of 17 per cent and the increase of 8 per cent.

As you know the Transport Commission granted them the right to increase the freight rates in a reasonable way on certain rates from 10 to 17 per cent. The Government, following representations from the provinces, from public bodies and from shippers, decided to force the railways to reduce this increase from 17 to 10 per cent, and later to 8 per cent. The 20 million dollars that we pay are by way of compensation to the railways for the loss that they suffered at that time.

Mr. GAUTHIER: When you use the expression "railways", are you speaking about the secondary trucking service that the railways own?

Honourable Mr. BALCER: Only in cases where there might be, among the goods carried, goods which were affected by this increase of 17 per cent. There are goods which were carried by truck and which were affected by this 17 per cent increase. Then, in those cases, part of the 20 millions applies to this traffic.

Mr. GAUTHIER: Do you think that this reduction affected Canadian National's transportation system in the province of Quebec, in the past few years.

Honourable Mr. BALCER: Definitely.

Mr. GAUTHIER: Now, if it affects the road hauling system . . .

Honourable Mr. BALCER: You didn't ask if the road hauling system was affected. You asked me whether the C.N.R., in its operations in the province of Quebec, was affected by these 20 million subsidies.

Mr. GAUTHIER: Is the road system actually owned by the C.N.R. affected by this reduction in transportation, as we seem to notice it in the province of Quebec.

Honourable Mr. BALCER: I don't believe so.

\* \* \* \*

Mr. COOK: Mr. Balcer, according to the administration of companies which enjoy this subsidy, according to their administrations, are the subsidies justifiable even if they are incurring a certain loss as they would have us believe? If they had a better-run administration could they survive in any case without having recourse to these subsidies?

\* \* \* \*

Honourable Mr. BALCER: Mr. Cook, at the time this increase of 17 per cent was granted by the Transport Commission, there had been a public inquiry, the provinces had had an opportunity to put forward their arguments against this increase. There had been a very thorough inquiry. Of necessity, after having heard both sides, the Transport Commission granted this increase of 17 per cent.

Now, when the Government decided to grant subsidies of 20 million, it was to deter the railways from applying this increase in the freight rate. They were subsidies not to the railways but to the shippers. What I would like you to understand is that these subsidies are paid to shippers.

Mr. COOK: For example, this alleged loss that the companies suffer couldn't they stand it without having recourse to a subsidy?

Honourable Mr. BALZER: It was decided by the Government, then approved by Parliament, that this 20 million compensation was justifiable.

\* \* \* \*

(Pages 75 and 76)

Mr. GAUTHIER: I would like to ask a question prompted by the remarks that the honourable minister just made to the effect that the provinces had been consulted on the subject of the aforesaid increase. What I find peculiar, is that in Quebec, this is the only province where this is put into practice. The CN branches out into road transport in the province of Quebec without the permission of the Transport Commission of this province. The evidence shows that the CN has four actions entered against it and that it carries on just the same without respect for the laws of this province. We might wonder about the reasons for its acting in this way. You have just told us that it is with the consent of the provinces, while there is evidence here to the contrary.

Honourable Mr. BALZER: Sir, you have asked me three or four questions.

First of all, I repeat that the provinces had an opportunity to present, or to have presented before the Transport Commission any objections against an increase in the 17 per cent rate.

Now you say that the CN has branched out into road hauling operations in the province of Quebec and that the CNR did not obtain permission from the Transport Commission of the province of Quebec. Let the province of Quebec look after its responsibilities. If there is anyone carrying on trucking who is not entitled to do so in the province of Quebec, it is up to the provincial authorities to do something about it. This has nothing to do with the federal authorities.

Mr. GAUTHIER: Did you say, Mr. Minister, just now, that transportation by truck was under the control of each province? How, then, do you explain the fact that a company, a federal company can, in this way, come along and overturn the laws of a province?

Honourable Mr. BALZER: If the province of Quebec doesn't like it, the province of Quebec can put a stop to it. The CN has to observe the law, provincial, municipal and federal laws. If, as you say, there is any breach of provincial law committed, it's up to the provincial authorities to see that those infringing the law are punished.

Mr. GAUTHIER: The province of Quebec does not like it, since the CNR has four actions entered against it. It has done so precisely to combat this infringement at a time when the whole haulage system was very well organized before the CN interfered, it's against this infringement that we want to fight, this is what we objected to and which we ask all the members from the province to object to so that the CN might not make another 1 per cent commission.

This, Mr. Minister, is why we are here. Let the CN handle railways in the province of Quebec, fine. When we need them, we shall say very well. In the meantime, we are saying: "We don't need you, we have no need of people who are there to create deficits".



(Page 81)

Mr. BELANGER: My question might seem peculiar, but, Mr. Minister, you have just told us that it's the provincial government which has full authority in the matter of regulating trucking transportation in the province of Quebec. Furthermore, you just told us that the CN, like all other companies, must respect the laws of the province of Quebec. So I wonder why the CN is allowed to carry on instead of conforming to the law, since at the present time, there are already four actions before the Court?

Honourable Mr. BALCER: All I can say to that is simply that it proves that the trucking operations are under the jurisdiction of the provincial government, since the province has instituted actions against the CN. Now, when there is a judgment given, we will know whether the activities of the CN are legal or not.

Last week, I saw Mr. Archambault and the CN authorities. They reached some degree of agreement on certain matters. I don't know whether it concerns these four cases, but you could perhaps ask him about it.

(Page 83)

Mr. BEAULÉ: If I understand correctly, the object of this bill is to give 20 million more. I am not in agreement with the CN representative on this. There seems to be an anomaly here. A short time ago, according . . .

Honourable Mr. BALCER: One moment please; there is no CNR representative. Mr. Carr is the chairman of the Transport Commission.

Mr. BEAULÉ: I didn't know that these subsidies were granted to CN trucks. The CN carries trucks on its flat cars. So this is as much as saying that their trucking receives CN subsidies. We mustn't play on words. If the CN actually receives subsidies for trucking, granted that the trucks are carried on flatcars by the piggy-back system, this constitutes an anomaly.

\* \* \*

(Page 84)

Honourable Mr. BALCER: The information we have on piggy-back transportation indicates that it is a matter of competitive transportation which does not benefit from a subsidy.

\* \* \*

(Page 85)

Mr. GAUTHIER: Once again my question is directed to the Minister.

We are satisfied on the subject of these profits, we are happy to learn that trucking lines make at least  $\frac{1}{2}$  per cent, which doesn't even amount to interest on the money invested. Mr. Minister, were the profits from truck transportation calculated after the CN received the product of the tax imposed by the federal government on the taxpayers to compensate for reductions in transportation rates.

Honourable Mr. BALCER: I must say quite frankly that I do not understand the question.

Mr. GAUTHIER: We would simply like to know whether your profits were calculated after receipt of the total that this tax imposed by the federal government due to reduction in transportation rates represents, or if, in fact, you include in your revenue the tax that the federal government pays back to you.

Honourable Mr. BALCER: Every year, the railways put out a financial report. In this financial report they give different revenues, item by item. If they receive subsidies from the federal government, the subsidies are in the revenue column. No doubt their net profit will be affected by the subsidies that they are granted.

\* \* \*

(Page 108)

Mr. Robert BEAULÉ: Mr. Chairman, I would like to ask Mr. Magee a question. Whether, as far as he knows, any part of the subsidies granted to railway companies is assigned to the road transport side of these companies.

\* \* \*

Mr. BEAULÉ: Can "CN" waybills be used interchangeably by trucks or by the railroad?

\* \* \*

Mr. BEAULÉ: When trucks are on the trains, what kind of waybill is used?

\* \* \*

Mr. BEAULÉ: Yes, CNR trucks.

\* \* \*





HOUSE OF COMMONS  
First Session—Twenty-fifth Parliament  
1962

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STANDING COMMITTEE  
ON  
**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* W. MARVIN HOWE, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

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THURSDAY, DECEMBER 13, 1962

MONDAY, DECEMBER 17, 1962

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Respecting

Bill C-91, An Act to amend the Freight Rates Reduction Act.

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INCLUDING FOURTH REPORT TO THE HOUSE

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WITNESSES:

Hon. Léon Balcer, Minister of Transport; and Messrs. John Magee and  
George H. Montague, of the Canadian Trucking Associations, Inc.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1962

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* W. Marvin Howe, Esq.

*Vice-Chairman:* Marcel Bourbonnais, Esq.

and Messrs.

Addison,	Grills,	Nielsen,
Argue,	Gundlock,	Nugent,
Badanai,	Hodgson,	Ormiston,
Baskin,	Horner ( <i>Acadia</i> ),	Pascoe,
Beaulé,	Howe,	Phillips,
Bélanger,	Lamoureux,	Rideout,
Bell ( <i>Saint John-Albert</i> ),	Leboe,	Robichaud,
Benidickson,	Legaré ( <i>Rimouski</i> ),	Rock,
Bourbonnais,	Lewis,	Ryan,
Bradley,	MacEachen,	Rynard,
Byrne,	MacEwan,	Sams,
Cameron ( <i>Nanaimo-Cowichan-The Islands</i> ),	Mackasey,	Sauvé,
Chevrier,	Maltais,	Smith ( <i>Calgary South</i> ),
Cook,	Marcoux,	Smith ( <i>Simcoe North</i> ),
Crouse,	McCleave,	Stenson,
Drury,	McDonald ( <i>Hamilton South</i> ),	Tucker,
Dupuis,	McMillan,	Turner,
Fisher,	McNulty,	Valade,
Gauthier,	McPhillips,	Webb,
Granger,	Munro,	Winch—60.

Dorothy F. Ballantine,  
*Clerk of the Committee.*

ORDERS OF REFERENCE

MONDAY, December 3, 1962.

*Ordered*,—That Bill C-91, An Act to amend the Freight Rates Reduction Act, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, December 12, 1962.

*Ordered*,—That the name of Mr. Munro be substituted for that of Mr. Mitchell on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,  
*Clerk of the House.*



## REPORT TO THE HOUSE

MONDAY, December 17, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### FOURTH REPORT

Your Committee has considered Bill C-91, An Act to amend the Freight Rates Reduction Act, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issues No. 3 and 4) is appended.

Respectfully submitted,

W. M. HOWE,  
*Chairman.*

## MINUTES OF PROCEEDINGS

THURSDAY, December 13, 1962.

(6)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:35 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

*Members present:* Messrs. Argue, Badanai, Baskin, Beaulé, Bélanger, Bell (*St-John-Albert*), Bradley, Byrne, Chevrier, Cook, Drury, Fisher, Gauthier, Granger, Grills, Hodgson, Horner (*Acadia*), Howe, Lamoureux, Leboe, Legaré (*Rimouski*), MacEwan, Mackasey, Maltais, Marcoux, McNulty, McPhillips, Munro, Pascoe, Robichaud, Rock, Ryan, Rynard, Sams, Sauvé, Smith (*Simcoe North*), Stenson, Tucker, Turner, Valade, Webb, Winch.—(42).

*In attendance:* The Honourable Léon Balcer, Minister of Transport; *From the Department of Transport:* Mr. G. A. Scott, Assistant Deputy Minister; *From the Board of Transport Commissioners:* Mr. Rod Kerr, Q.C., Chief Commissioner; Mr. M. E. Burwash, Director of Economics and Accounting; Mr. H. W. Ellicott, Director of Traffic; *From the Canadian Trucking Associations Inc.:* Mr. John Magee, Executive Secretary; Mr. George H. Montague, Economic Consultant; Mr. Benoit Savard, Assistant to the Executive Secretary.

*In attendance and interpreting:* Miss P. Cyr, Parliamentary Interpreter.

The members resumed consideration of Bill C-91, An Act to amend the Freight Rates Reduction Act.

Mr. Magee of the Canadian Trucking Associations distributed to the members a translation into French of the supplementary brief presented on December 12th, copies being filed with the Clerk of the Committee.

Mr. Balcer was questioned.

Mr. Magee was questioned, assisted by Mr. Montague.

At 12:30 p.m., the Committee adjourned, to meet again on Monday, December 17, 1962, at 9:30 a.m.

MONDAY, December 17, 1962.

(7)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:30 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

*Members present:* Messrs. Argue, Bélanger, Bell (*St-John-Albert*), Bradley, Gauthier, Hodgson, Howe, Lewis, MacEachen, McPhillips, Pascoe, Robichaud, Rock, Turner, Webb, Winch.—(16).

*In attendance:* *From the Department of Transport:* Mr. G. A. Scott, Assistant Deputy Minister; *From the Board of Transport Commissioners:* Mr. Rod Kerr, Q.C., Chief Commissioner; Mr. H. W. Ellicott, Director of Traffic.

The members resumed and concluded the consideration of Bill C-91, An Act to amend the Freight Rates Reduction Act.

*Clauses 1 and 2* and the Title were severally carried; the Bill was adopted without amendment.

*Ordered*,—That Bill C-91 be reported to the House without amendment.

At 9:45 a.m., the Committee adjourned, to meet again at 10:30 a.m. this day for consideration of Bill C-59.

Dorothy F. Ballantine,  
*Clerk of the Committee.*



## EVIDENCE

The CHAIRMAN: Gentlemen, I see a quorum. As we finished our proceedings yesterday there were still members of the committee who wished to ask questions of the witnesses from the Canadian trucking association, so I shall now ask Mr. Magee and Mr. Montague to come forward. They were replying to questions put to them by the committee. I believe Mr. Bell had not quite completed his remarks.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I have Mr. Bell's question. Mr. Bell is not present.

Mr. MAGEE: Mr. Chairman, just before we begin, let me say that I have now the translation of the statement which we made yesterday morning and which I said would be made available to the committee in French. It reads as follows:

Mardi, au cours de la présentation des témoignages au nom de l'Association Canadienne du Camionnage, nous avons fait une estimation du pourcentage du trafic non concurrentiel qui était devenu concurrentiel depuis 1959. Nous avons basé cette estimation sur certains chiffres fournis par M. Kerr. La déclaration était en substance la suivante:

M. Kerr a dit qu'en 1961, les taux non concurrentiels rapportaient aux compagnies de chemins de fer 30.9 p. 100 de leurs revenus. Sous réserve d'une correction par les conseillers de M. Kerr, nous avons estimé qu'en 1957, les taux non concurrentiels rapportaient aux compagnies ferroviaires environ 40 p. 100 de leurs revenus et qu'en 1949, les taux non concurrentiels leur rapportaient environ 75 p. 100 de leurs revenus. La tendance semble évidente—et il faut reconnaître l'effet de cette subvention sur l'industrie du camionnage—en 1959, nous avons dû concurrencer pour environ 20 p. 100 de la marchandise transportée en vertu des taux soi-disant non concurrentiels au moment où la Loi sur les réductions des tarifs-marchandises a été mise en vigueur.

Nous avons eu l'occasion de discuter de cette déclaration avec des représentants de la Commission des transports du Canada, et ceux-ci nous ont signalé que le chiffre de 30.9 p. 100 que M. Kerr a employé relativement au trafic non concurrentiel était calculé sur une base différente de celle des chiffres employés dans l'Analyse des bordereaux d'expéditions et, par conséquent, les pourcentages que nous avons tenté de comparer n'étaient pas comparables. Il est donc nécessaire de reviser quelque peu notre estimation.

Les chiffres suivants, dans la mesure où ils se rapportent aux années 1958, 1959 et 1960, ont été calculés d'après des statistiques publiées par la Commission des transports du Canada dans son Rapport annuel pour 1961. Les chiffres pour 1961 ont été calculés d'après des statistiques qui nous ont été fournies par la Commission des transports du Canada.

Le tableau ci-dessous donne la distribution en pourcentage des revenus obtenus par les sociétés de chemins de fer des diverses classes de trafic. Pour les fins de ce tableau, nous avons éliminé les taux statutaires et les taux multiples, car ces deux classes comportent des expéditions de grain aux taux statutaires. Le volume de ces expéditions a varié durant la période et il a influencé le pourcentage des revenus dont on tient compte pour les autres classes de taux. Nous avons tenté par ce tableau de démontrer le changement relatif dans l'importance des taux soi-disant non concurrentiels durant cette

période. La classe «expéditions mixtes» a été ajoutée par nous mêmes comme un taux non concurrentiel, car cette catégorie inclut très peu d'expéditions transportées à des taux concurrentiels.

POURCENTAGE DES REVENUS DES COMPAGNIES DE CHEMINS DE FER  
CANADIENS SELON LES DIVERSES CLASSES DE TAUX

	1958	1959	1960	1961
Taux selon la catégorie .....	9.4	8.8	6.7	5.8
Taux non concurrentiel de marchandises .....	42.6	38.5	37.4	37.4
Taux concurrentiel de marchandises .....	26.4	29.9	30.6	29.2
Taxe convenue de marchandises .....	15.7	17.8	20.9	22.6
Expéditions mixtes .....	5.9	5.0	4.4	5.0
	100.0	100.0	100.0	100.0
Tous les taux non concurrentiels .....	57.9	52.3	48.5	48.2

Au cours des audiences devant ce Comité en 1959, les statistiques disponibles pour la considération du Comité étaient des statistiques de 1958. Depuis 1958, le pourcentage des taux non concurrentiels a baissé de 57.9 à 48.2. En d'autres termes, environ 15 p. 100 des taux non concurrentiels en 1958 sont devenus des taux concurrentiels, et nous disons que c'est là une mesure de l'effet préjudiciable de ce genre de subvention sur l'industrie du camionnage. Veuillez ne pas oublier que lorsque cette législation a été mise en vigueur en 1959, ce Comité était assuré que les paiements ne seraient faits qu'à l'égard du trafic pour lequel il n'y avait pas de concurrence efficace de la part du camionnage. Le tableau que nous avons donné indique qu'il y a eu une concurrence efficace du camionnage pour au moins 15 p. 100 de ce trafic.

The CHAIRMAN: Yes. You have distributed it to those who wished it this morning?

Mr. MAGEE: Yes.

Mr. SMITH (*Simcoe North*): Mr. Bell's question at the end of yesterday's session had to do with discussing the effect of this act, and the Maritime Freight Rates Act.

Mr. MAGEE: Yes.

Mr. SMITH (*Simcoe North*): The effect on trucking in the maritimes; does this bill—that is the Freight Rates Reduction Act—place any special disability on maritime truckers?

Mr. MAGEE: It would in instances where the maritime truckers are in competition with non-competitive class and commodity rates of the railways which have never been made into competitive rates or agreed charges.

Mr. SMITH (*Simcoe North*): Is that a very important sector of trucking, or could it be an important sector of the trucking business?

Mr. MAGEE: We have not made an investigation of it in the maritime provinces.

Mr. SMITH (*Simcoe North*): Is it fair to say that a great deal of the freight originates—the freight that is covered by the Freight Rates Reduction Act—in and travels over substantial distances where there are no heavy duty highways?

Mr. MAGEE: I do not think I would agree with that. That question relates in my mind, anyway, to a question that was asked on the first day of the hearings about the types of commodities which the railways move under non-competitive class and commodity rates, and I would say that, as I recall it, one of the witnesses for the board of transport commissioners said there were about

8,000 items, and some items were specified. As I recall it, every item that was mentioned as being carried by rail was also carried by truck.

Mr. HORNER (*Acadia*): Not long haul by truck?

Mr. MAGEE: Yes, by truck. Such as carrying steel to western Canada from central Canada; and that as I recall it—iron and steel products—was one of the items mentioned.

Mr. HORNER (*Acadia*): Sand and gravel was another.

Mr. MAGEE: Yes; we certainly haul sand and gravel on the road by motor transport. Traffic statistics from the Dominion Bureau of Statistics—which I think we can accept as a neutral agency in this matter—gives commodity classifications for the freight moved by truck and referred to in its estimates. There are all kinds of things there and I do not wish to take up the time of the committee to read them all, but I see scrap and waste metal, iron and steel products, wood products, plywood, veneer, sand and gravel, crushed stone and fill, mine products, fruit and vegetables, pulpwood, cord wood, logs, and so on.

Mr. HORNER (*Acadia*): I am not questioning the fact that trucks haul this material, but it is about the long haul part of it that I wonder.

Mr. MAGEE: Sand and gravel would be short haul by trucks; I do not know whether the railways are moving very much sand and gravel over very long hauls.

M. GAUTHIER: Monsieur le président, ma question s'adresse à M. Magee. Dans son rapport, à la page 2 il dit ceci:

A la suite de cette décision de la Commission des transports, les compagnies de chemins de fer ont augmenté leurs taux.

Selon votre point de vue, monsieur Magee, croyez-vous que dans ces régions non-concurrencées, dont vous parlez, le «CNR» aurait été obligé de hausser ses taux dû aux condition des lieux s'il avait eu à affronter la concurrence des camionneurs?

Mr. MAGEE: Well, normally if truck competition exists, then rates go down, not up.

M. GAUTHIER: Maintenant qu'est-ce que vous entendez lorsque vous dites à la suite:

Là où ils auraient pu le faire?

Mr. MAGEE: Well, it was never a fact that the railways could apply the 17 per cent increase across the board; that would be quite impossible for them to do, and because of the existence of truck competition. Nobody, believes—or the railways accept that if they did put the full 17 per cent increase in on all of the non-competitive class and commodity rates, they would not be able to hold it there on some of these rates.

Mr. MACEWAN: Mr. Chairman, I have two short questions. I understood Mr. Magee to say that a ruling had been made with respect to truck operations in the province of Nova Scotia such as those of Smith Transport Company, and that the Maritime Freight Rates Act applied to the trucking part also.

Mr. MAGEE: On the shipments. The revenue would not go into the pocket of Smith Transport Company; it would go to the Canadian Pacific Railway.

Mr. MACEWAN: Would the same thing apply with regard to the other subsidiaries of the Canadian National Railways, such as Sydney Transport?

Mr. MAGEE: I would assume that the board would deal in the same way with shipments which took the combined rail-truck haul on the Canadian National Railways.



Mr. MACEWAN: May I take it from what you have already said that your association is in favour of the recommendation made by the MacPherson Commission on the matter of the Maritime Freight Rates Act, at page 212 of its report?

Mr. MAGEE: Yes, I know the recommendation. I think perhaps I ought to give you the actual official statement which was made by the Canadian trucking association when that recommendation was made. This was a statement issued to the press by the president of the Canadian trucking association, Mr. R. R. Ramsay, on January 30, 1962. I am trying to save time by restricting it to what he said about the Maritime Freight Rates Act. Oh, here it is:

The commission recommends that the intra-maritime subsidy under the Maritime Freight Rates Act be removed except for Newfoundland, and that, at no reduction of the annual subsidy of \$14,500,000, payments be concentrated on the long-haul to central Canadian markets—from maritime points as far as Diamond Junction and Lewis.

The trucking firms concerned, except Newfoundland trucking firms operating within the province and intra-maritime, are beneficially affected by the commission's recommendation that assistance under the Maritime Freight Rates Act be made available to shippers using trucks as well as rail. The special recommendation for Newfoundland is that the Maritime Freight Rates Act would continue there as it is at the present time—in other words, restricted to rail shipments and excluding truck shipments—and that this system for Newfoundland be reviewed at the end of ten years.

Again, this recommendation contradicts the commission's findings, in both volumes 1 and 2, as to the fair and equitable way to pay federal freight rate reduction subsidies in a competitive transportation environment.

The recommendation, in effect, that the new and struggling trucking industry in Newfoundland should be excluded from MFRA for a period of ten years defies all explanation in logic, consistency, and equitable treatment of carriers. It is to be hoped that the federal government will not entertain the contemplated exclusion from MFRA of Newfoundland's trucking industry.

That was the general principle; that is a comment, incidentally, on Mr. Ramsay's statement. And I might sum it up by saying that as a general principle enunciated by the commission, in future maritime freight rates aid—where payments exist, according to the recommendation—will be paid to shippers through all carriers. We are in favour of that recommendation. But we are opposed to the commission's suggested exclusion of Newfoundland truckers from the only part of the maritime provinces where the intra-maritime subsidy would remain under the commission's recommendation, and that is Newfoundland.

Mr. ARGUE: Mr. Magee, on the assumption that subsidies to the railways were removed, the ones you refer to in here, what proportion of the goods then would come under the non-competitive rates in your opinion? You get 42.8 per cent, which was the percentage you gave us yesterday. But if you accomplished everything you are asking for here, to what extent would you be competing in this area? What would happen to the 42.8 per cent? Would it go down by 10 per cent, or 15 per cent, or disappear entirely, or what?

Mr. MAGEE: I will ask Mr. Montague to answer your question.

Mr. G. H. MONTAGUE (*Economic Consultant, Canadian Trucking Associations Inc.*): I am afraid I cannot give you a very good answer. We believe it will go down substantially. I refer you to some remarks made at the time this

bill was first considered, when estimates were given as to what would happen if the railways took the 17 per cent increase. The board of transport commissioners estimated that they would lose about 20 per cent of that traffic, but we think they have lost about 20 per cent now. There was an estimate in that earlier hearing as to what proportion of the traffic they would lose. We feel that that is confined to non-competitive rates, and that they are non-competitive not because they are commodities but simply because of the price. Perhaps if a level was reached you might find that it reduced the rates substantially. I cannot give you a percentage at which it would finally level off. However we think it would be reduced substantially below what it is now.

Mr. ARGUE: If we should agree to everything you ask for, would we not then be placing a very large additional burden upon the shippers of this country, for all of whose goods you would not be able to compete in this area? It seems to me there should be some area where the non-competitive rates could be kept down and some consideration given to some of these greater rates, where there could be some competition.

My main question now concerns feed grain freight assistance. This is under attack by Mr. Magee in the sense that he feels that it puts the truckers in a difficult position. So far as I am concerned the feed grain freight assistance policy is not directed primarily as a means of helping the railroads; I do not think that was the idea. The idea is to keep down the price of feed grains to farmers in central and eastern Canada; this is the first concern. If I may make a statement, Mr. Chairman, I think there is a very, very sound case for criticizing this policy from the standpoint of the truckers, if it applies only to the railways and if the truckers cannot get in on it. I do not think this is fair, because the first purpose of this policy was to help farmers and feeders. My first question is, are trucks able to get in on any of this assistance in any way? If you can show a rate equal to the rail rate, do you get any of this assistance, or can you get any of it?

Mr. MAGEE: You have raised two points, Mr. Argue. Do you mind if I go back to the one you raised first? I think the position you stated in respect of the opposition of the Canadian trucking associations to the Freight Rates Reduction Act and the consequences that you believe would flow from the removal of the act was recognized in the submission of the Canadian trucking associations to this committee last year, because last year, after having appeared before this committee in 1959 and 1960, and having failed to persuade the committee that this legislation should be rejected, we came for the third time and again opposed the legislation; but last year we also said that if you insist on passing the legislation, then we ask that you make some provision in it for the truckers that are affected by the Freight Rates Reduction Act and only where we can prove that they are affected.

In other words, parliament says that this is a subsidy to aid the shippers, not a subsidy to aid any transportation agency, and not a subsidy to put any transportation agency in a preferred position. We suggested if it is true that very few of the rates under the Freight Rates Reduction Act subsidy affect truck operators, then there will be very little of the subsidy that would have to be paid to the truck operators. We did suggest, however, that in this legislation there be an amendment that would provide where proof could be made of an impact by the rates under the Freight Rates Reduction Act on existing trucking rates that those truckers who had lowered their rates because of this act and who therefore were also giving the assistance to the shippers that is supposed to be the objective of this legislation, be entitled to the compensation that you decided the railways must receive.

The CHAIRMAN: I do not want to cut off this discussion in respect of the feed grain assistance, but this comes under a special act.



Mr. ARGUE: It is an item in the estimates. I understand your position, Mr. Chairman, but I do think it is important. I think it is important to the trucking associations; that is, this whole policy. While it is not being dealt with by this act, I think, since there has been some reference to it, it would be very helpful to the committee to have some explanation in respect of this.

Mr. MAGEE: If I might sum up the first point, I think our position essentially is the one you stated in respect of the Freight Rates Reduction Act; but we do not see that reflected in this legislation. Last year there was an amendment moved to give effect to the suggestion that we made, and the parliamentary counsel found that that amendment was not in order; the committee agreed with him and the act is here again this year, again with no recognition of the position of the trucking industry.

In respect of the feed freight subsidy, I think Mr. Argue thought we were attacking the feed freight subsidy.

Mr. ARGUE: You want it removed, I believe.

Mr. MAGEE: No. Let us put it this way: we have to face realities about this subsidy. I do not think parliament is going to remove it.

Mr. ARGUE: I beg your pardon?

Mr. MAGEE: I do not think parliament is going to remove it.

Mr. SMITH (*Simcoe North*): The truckers would like a share of it.

Mr. MAGEE: The truckers agree with the recommendation of the MacPherson royal commission on transportation.

Mr. SMITH (*Simcoe North*): They would like to participate.

Mr. MAGEE: The shipper, under the subsidy, should be entitled to use the form of transport of his choice and the rate that will carry the subsidy would be the lowest rate, whether it is rail, truck, water or air. In other words, if we can haul it cheaper than the railways, then the subsidy would apply on the trucking rate.

Mr. SMITH (*Simcoe North*): You would like to participate in the feed grain subsidy.

Mr. MAGEE: If the subsidy continues to exist we want the shippers of Canada to be given a free choice of transportation, and the only way it can be done is to bring the truckers into it.

Mr. ARGUE: I would like to continue. Is it correct that under the feed grain assistance policy now the trucking associations are not able to get any subsidy from the government and are not able to share in this subsidy policy?

Mr. MAGEE: Mr. Montague and I both have made a submission to the Department of Agriculture on this. I will ask him to answer the question because in the past couple of days he has been at work on this.

Mr. MONTAGUE: The feed grain subsidy, of course, is paid to shippers now; it does not go to the railroads. They produce a bill of lading and on the basis of that bill of lading they are paid a certain amount of subsidy. At the present time, because of the peculiarities of the Canadian freight rate structure, which is the railway structure, there is the common rail rate to the ports of southern Ontario and a large portion of what they call the Montreal rate zone. Any shipment arriving by rail or water into any point in this area receives full subsidy, so that the subsidy to a man in Toronto is the same as to a man in Ottawa, even though from the lakehead it may be different. Consequently these shipments coming by boat to a dealer at the bay ports may go on by truck and, in fact, the trucks themselves participate the way that is intended in the carriage of those commodities.

There has been no criticism so far as the trucking industry is concerned of the way this subsidy is applied in southern Ontario and the Montreal rate



zone. In the Montreal rate zone the subsidy is paid on the basis of a certain amount into the Montreal zone plus an amount equal to the difference between the rate to Montreal and the rate shipped out of the Montreal rate zone; so, the receivers of feed grain at points beyond the Montreal rate zone receive the difference on their freight from Montreal to wherever they are using feed grain, but they only receive it if they are able to produce a railway bill of lading. This means that in southern Ontario feed grain distributors and users have been able to take advantage of the trucking industry, but outside the Montreal rate zone and further east in the maritimes—there is another situation there—and in British Columbia, shippers have been forced to use rail.

Mr. ARGUE: In respect of this question of being forced to use rail, this is not something that is in any act of parliament; it is something laid down as a policy of the government in the way it pays out this item.

Mr. MONTAGUE: It is laid down in the regulations by order in council.

Mr. ARGUE: You do not have to have parliament to do this; the government can do it. With legislation it has to be parliament, but in this case it is a simple thing in the sense that the cabinet can do it by regulation, and I suggest that should be done.

Mr. TURNER: Do you agree with that?

Mr. MONTAGUE: I think if an order in council can establish the regulation, it can change it.

Mr. ARGUE: In respect of the trucks getting into southern Ontario, I would like to have an idea as to how it works. Suppose something comes to Toronto, does it get the full subsidy now for this general area?

Mr. MONTAGUE: Yes. The minute it arrives anywhere in this rate zone it gets the full subsidy.

Mr. ARGUE: Suppose that it is taken by truck 100 miles away from Toronto, does it get exactly the same subsidy then?

Mr. MONTAGUE: This is the problem: In fact the bulk of the shipments carried by trucks is coming in by boat to the bay ports and is distributed from there. As I understand it, the rail rate from the bay port to a place in southern Ontario may be different from the truck rate from the bay port to a place in southern Ontario; taken together the boat rate and the local rail rate would be higher than the boat rate plus the local truck rate. If, on the other hand, the shipment came all the way in by train to the receiver, the basic rate and basic subsidy would be paid.

Mr. ARGUE: My example of 100 miles may not be a good one. If it comes to Toronto, it gets a certain rate. If it goes the shortest possible distance by truck, exactly the same subsidy is paid.

Mr. MONTAGUE: Yes. It is just that the subsidy is received by the first person getting the grain in the area. I do not think we can really complain about what is happening in southern Ontario. As I understand it the truckers participate in this movement.

Mr. ARGUE: They participate because the first person is overpaid, paid more than his cost.

Mr. MONTAGUE: No; that is not so.

Mr. SMITH (*Simcoe North*): No, that is not right.

Mr. ARGUE: If it comes to Toronto he is paid the full cost. I may be wrong, but I thought you told me it was exactly the same price.

Mr. MONTAGUE: He is paid \$6 a ton.

Mr. ARGUE: And if it costs \$5 to get it to Toronto he pockets it.

Mr. MONTAGUE: I understand it costs more than \$5 to get it to Toronto.

I do not think you will find that in any instances they are receiving more money than the actual cost.

Mr. SMITH (*Simcoe North*): Is it not a fact that the truckers get a great deal of this business because they can drive their trucks under the elevator spouts and deliver it right to the farmers' granary.

Mr. MONTAGUE: Yes.

Mr. SMITH (*Simcoe North*): At Collingwood I see them load 50 or 60 trucks. It is because of the adaptability of the trucks that they get the business.

Mr. MONTAGUE: Yes.

Mr. HORNER (*Acadia*): I believe you said yesterday that the Department of Agriculture has asked you to submit a brief as to how the trucking industry could come under the feed grain assistance.

Mr. MAGEE: Yes.

Mr. HORNER (*Acadia*): They have asked you to look into it to see how you could come under this?

Mr. MAGEE: That is right.

Mr. FISHER: I do not want you to give a prior judgment, but are you aware that the likelihood of this bill passing is very high?

Mr. MAGEE: I never admit defeat until I see the vote cast. Some day parliament is going to recognize the Canadian trucking industry—some day. We are only 30 years old and we will get that recognition some day.

Mr. FISHER: You are aware that this measure has been put before us by the government as a temporary measure and it all relates to the carrying out of the MacPherson royal commission report.

Mr. MAGEE: Yes. We are aware of that. That is what was said in 1959.

Mr. FISHER: One of the difficulties in appreciating your position is that the MacPherson royal commission report makes almost all its recommendations upon the basis that the trucking industry is the competing mode of transportation that has created the majority of the problems of the railways.

Mr. MAGEE: Yes.

Mr. FISHER: Do you agree generally that there is a strong emphasis in the MacPherson report on the fact that the development of the trucking industry and its competitive power have created the railways' problem?

Mr. MAGEE: Yes; I agree with that.

Mr. FISHER: Since I think the MacPherson royal commission report is relevant, because the government is hinging its recommendations on this, could you give us any information on your attitude towards what the MacPherson report says about the trucking industry. A few minutes ago you quoted to Mr. Smith, I thought approvingly, the MacPherson report. I am also aware that there are many aspects of the MacPherson report which I think the trucking industry does not like at all.

Mr. MAGEE: That is correct.

Mr. FISHER: I think they are relevant here, and I would like to have this.

Mr. MAGEE: I would be glad to explain our position in respect of the MacPherson report. Mr. Montague says "in some detail", but I will try to be a little briefer than that.

Mr. TURNER: Did the trucking industry ever make a statement on the report?

Mr. MAGEE: Yes, after volume I was published and after volume II. Those are official statements.

Mr. FISHER: When did you publish this one: "Dangerous recommendations of the MacPherson royal commission on transportation"?

Mr. MAGEE: That was drafted this year after our annual meeting. Generally, our position in respect of the MacPherson report is that we are opposed to the massive program of subsidies for the railways which the MacPherson commission recommended. We are opposed, for example, to the \$100 million in transitional subsidies that the railways would receive in the first year, and the recommendation that a subsidy of over \$60 million be paid out in respect of passenger services of the railways. We are opposed to a blanket branch line subsidy program for the railways. I am now talking about this transitional subsidy program which would start at approximately \$100 million.

We are not opposed to the railways being compensated from the public treasury for any service which is found to be uneconomic, which the board of transport commissioners has given the railways permission to abandon, and which parliament in its wisdom considers is an essential national segment of the railway system which must be maintained. Our position on that point, whether it be passenger service or service of a branch line, is that the aid for the railways in that specific circumstance should be paid from the public treasury. When we met the Prime Minister and some of his colleagues in June last year we said that the subsidy should be paid to a transport agency, for example, the railways, only if as a result of public policy they are explicitly forced to provide a deficit service, and that such a situation would exist where no alternative means of adequate transportation exists, a very uncommon situation. That was our position in respect of the passenger subsidy and the branch line subsidy as set out in the MacPherson report.

As for the \$25,500,000 that the MacPherson commission estimated as being the loss to the railways in the Crow's Nest Pass rates, and which they also included in the transitional subsidies which would be a part of the \$100 million in the first year, we say if a subsidy of that nature is going to be paid it is a freight rate reduction subsidy and it should be available in a way that will enable the shipper to use the form of transport of his choice, including trucks. Those are three of the subsidies. Then there is the very small issue of statutory free transportation. We say that if the railways are required to move passengers they should be compensated for that, if not by the passengers, then by parliament.

Mr. FISHER: As I understand the MacPherson recommendations, these subsidies are merely temporary in order to clear the way for free competition. Is that the way you understand the MacPherson recommendations?

Mr. MAGEE: That seemed to be the way the MacPherson commission looked at it. We do not agree with the payment of \$62 million, I think it was, to the railways in the first year for passenger services that are being withdrawn or saying to the railways: "here's a cheque for \$13 million; that will cover your branch line problems for the first year." I thought that was an incredible suggestion.

Mr. FISHER: I do not disagree with you, but I want to get to the next point. If the MacPherson recommendations clear the way for free competition situations where does the Canadian trucking associations stand then?

Mr. MAGEE: We are ready to continue to compete, Mr. Fisher, as we have done over the past thirty years.

Mr. FISHER: Why did you use—let us say, in your part—the opinions of Dr. A. W. Curry and you quote approvingly that all free competition has led to in the railways and trucking industry is a financial ruin for the railways and, in regard to the situation of the Canadian trucking associations, you say it eventually leads to badly maintained vehicles, tired and underpaid drivers, unsatisfactory services and favouritism in rates.

Mr. MAGEE: That brings us to the next part of the MacPherson report. We quoted Dr. Curry's remarks with approval because we believe that there



must remain in the transportation field in Canada some modicum of regulation. When the MacPherson commission says that all regulations with the exception of some safeguards which they talk about should be removed, we are opposed to that.

Mr. FISHER: This is a pretty fundamental criticism you are making of the MacPherson recommendations then.

Mr. MAGEE: Yes, it is a fundamental criticism.

Mr. FISHER: What is your attitude toward this point, and I know it is hypothetical: the government has given an indication that at this session it is going to bring in recommendations in line with the MacPherson royal commission. Would you not then have a much better opportunity to bring forward your views than you have had with this particular act?

Mr. MAGEE: Yes, we will. But, I am afraid that by the time we present our views in that manner it will be pretty late in the day. We have asked the government for a meeting with the cabinet to express our views. We made that request on September 7, and we understand that every effort is being made to bring about a meeting that will enable us to express now, before the formative stages of the legislation progresses much further, our feelings in this regard.

Mr. FISHER: Could I ask Mr. Balcer a question?

The CHAIRMAN: Proceed.

Mr. FISHER: Mr. Balcer, Mr. Magee has indicated that the Canadian Trucking Associations have asked to meet with the government with regard to the legislation it plans on the MacPherson royal commission. Do we take it as an indicator, since they have not seen you, that you have not yet progressed to the stage of preparing that legislation, that it has become finite or definite or are we to assume the recommendations that the Canadian trucking associations may have in mind are in your opinion not relevant in the preparation of the legislation?

Mr. BALCER: No, Mr. Fisher. This government has made it a point of meeting with the truckers. We have told the truckers that we would meet them before bringing the legislation in connection with the MacPherson report before the house. We do want their opinions.

Mr. FISHER: Have you considered meeting them before they begin to draft the legislation, in view of the recommendations of the MacPherson commission?

Mr. BALCER: When the draft is in its final form and the legislation is all set it will be before the house. But, we are working now on this legislation and I do not think I am in a position to tell you what stage we have reached. But, I can assure the truckers they will have an opportunity to present their views.

Mr. CHEVRIER: Can you not give us a hint?

Mr. FISHER: I did not hear what Mr. Chevrier said.

Mr. BALCER: You should join the cabinet and then you would get all this information.

However, I want to assure the truckers that they will have an opportunity to put their views before the cabinet and, if they are accepted by the cabinet, they will be embodied in the legislation.

Mr. FISHER: I have one more question I wish to ask Mr. Magee. Mr. Magee, how far have the trucking associations gone in their representations to provincial bodies in order to clear the way for having a national transportation policy with reference to trucking in which there is either a co-operative or an over-riding authority agreeable to all the provincial jurisdictions?

Mr. MAGEE: So far as the Canadian Trucking Associations are concerned, we have been making representations only to an organization known as the Canadian conference of motor transport authorities. That is a conference of all the provincial administrators and regulators who have responsibilities for the control of the trucking industry. We have suggested to that conference—their organization was formed four or five years ago—that the existing Federal Motor Vehicle Transport Act of 1954 should be replaced with a new act which will preserve the position of the provincial boards as the regulatory agencies for trucking, whether it be extra provincial trucking or intra provincial trucking, and which will mould these boards into one board on any extra provincial matter they are considering.

The problem we are up against now under the existing federal act is that in an application involving five provinces, for extra provincial operating rights, we have to come before five different boards; we have to have witnesses available before all these boards and our companies have to obtain counsel for all these hearings. This is a very expensive procedure and uses up a tremendous amount of our executive time which ought to be devoted to ways and means of providing service to shippers. We would like to see a streamlined procedure which can only come about under federal legislation because the jurisdiction belongs to parliament and not the provinces under the privy council provision of 1954. That is our recommendation.

Mr. SMITH (*Simcoe North*): Extra provincial jurisdiction belongs to the federal government though.

Mr. MAGEE: Yes, I was referring to extra provincial trucking, not intra.

Mr. FISHER: Have you any indication as to where the situation stands now or when it is likely to be realized? What are the indicators in relation to the provincial and federal authorities?

Mr. MAGEE: We find the same difficulty which other more important agencies find in trying to get ten provinces to agree on how the trucking industry should be regulated, if it is to be. We have a variation of views and, naturally, each province thinks its way is best. There has been some co-ordination of regulations as a result of this conference. There have been some improvements. However, the basic difficulty is that the act of 1954 does require revision because of these problems that have emerged under it and no basic improvement can be made until there is a new motor vehicle transport act.

The CHAIRMAN: I have just one word to say, gentlemen. We have been having quite a free wheeling discussion about problems all across Canada in connection with trucks and railways and although I do not want to cut off your discussion I would like to remind you that the purpose of this bill is to extend for not more than twelve months the period during which the revised freight rates under the Freight Rates Reduction Act shall be applicable. I would be pleased if you would endeavour to confine yourself to that subject.

Mr. FISHER: Mr. Chairman, I would like to point out that it is my opinion the minister himself opened the way for general discussion with the remarks that he made.

The CHAIRMAN: The minister is not above reproach.

Mr. BALZER: No; I am only a witness here.

Mr. FISHER: Mr. Magee, do you find any difficulty in taking a coherent or unified approach on the part of the Canadian trucking associations in the direction in which you have been going as a result of the fact that within your membership you have an executive who, as I understand it, is head of a trucking company owned by a railway?

Mr. MAGEE: I will answer that and then I will complete my answer as to



our attitude on the MacPherson report because I have left untouched the third and final part of the report, which concerns us greatly, and that is the recommendation on the entry of the railways into the trucking field.

In connection with our ability to preserve a unified opposition to the entry of the railways into the trucking field, we are protected in the Canadian Trucking Associations by a provision in our by-laws which prevents any form of transport owned or controlled by any carrier other than trucking from attending our annual meeting as a delegate. In other words, if you are the president of a railway truck line you cannot be a delegate to the annual meeting of the Canadian trucking associations, and the annual meeting of the Canadian Trucking Associations is where the policies are made which I am stating today. Of course, railway truck lines are members of some of the provincial trucking associations. They have their own rules and regulations on that. Some of them permit membership by the railway truck lines and some of them refuse it. They do not allow a railway truck line to be a member of the association, and the Manitoba trucking association is an example of this.

As yet there has been no discernible attempt—at least no attempt that has caused us any worry—by railway trucking executives in these various trucking lines across Canada to take control of the policies of the Canadian Trucking Associations or to change them for the benefit of the companies they represent. If they try it they will be resisted very strongly I assure you.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I have a supplementary question.

The CHAIRMAN: This debate has been so free wheeling that it would be possible for you to have a supplementary question to any other asked.

Mr. SMITH (*Simcoe North*): Do not most of your members who have extra provincial licences also have provincial licences?

Mr. MAGEE: That is correct.

Mr. SMITH (*Simcoe North*): So they would still have to deal with the provincial bodies in licensing matters as well as this national body?

Mr. MAGEE: Yes.

Mr. SMITH (*Simcoe North*): So there still would be a multiplicity of applications in many cases?

Mr. MAGEE: Yes, there would be.

Mr. SMITH (*Simcoe North*): What percentage of the members of the Canadian Trucking Associations have extra provincial licences?

Mr. MAGEE: I cannot give you that figure offhand; however, I will attempt to obtain it for you.

Gentlemen, I would like to back up a bit in my answer because I think I have said something that is inaccurate. The extra provincial trucking companies who have intra provincial operations would have to deal with the provincial regulatory boards in respect of applications covering those operations. But the privy council decision said that the intra provincial components of extra provincial undertakings were one and indivisible and they too were under the jurisdiction of parliament, and so when a provincial body is considering a matter affecting an extra provincial company the entire operation, including intra provincial operations in any province, comes within the jurisdiction of parliament and not the provinces.

Mr. SMITH (*Simcoe North*): Does your answer concerning the exclusion of a railway company owned transport company on the board of directors apply in the case of Smith Transport, for example?

Mr. MAGEE: It excludes Smith Transport. It makes it impossible for them to send a delegate to our annual meeting. Incidentally, the delegates are appointed by the trucking associations, by the provincial trucking associations.



However, we do not deny associate membership in Canadian Trucking Associations to any railway truck line which wishes to be a member. Our experience has been that as they sell to the railway they do not renew their membership in the Canadian Trucking Associations.

Mr. TURNER: Mr. Chairman, I hope you will permit me one free wheeling question and then a further question which I hope will be more relevant. My first question arises out of Mr. Fisher's series of queries. You stated that the Canadian trucking associations hope to see one day one extra provincial board handling federal extra provincial movements; would you have any objection if the MacPherson report were implemented so as to free competition between the truckers and the railways? Would you have any objection to coming under the board of transport commissioners, which is already a federal board and which might be given the jurisdiction of regulating extra provincial trucking?

Mr. MAGEE: Yes. At the present time we would not be in favour of that. When I said that we looked for the creation of one body, I meant a body composed of provincial boards across Canada, which would delegate a member or two. We are opposed to the control of trucking by a board in Ottawa.

Mr. TURNER: If you had that freer competition, would you not consider it perhaps to be more logical to have this same board regulate the railways and extra provincial trucking rather than to have two boards whose policies might be at odds with one another?

Mr. MAGEE: Well, there is a long history to the position of the trucking industry on this matter. The view of the industry is that it prefers a board which has specialized knowledge and experience of the trucking industry in the same way as the air transportation industry has a board for the air transportation industry. That is our position on the question of the board of transport commissioners.

Mr. TURNER: Now, the other question I have is this: on the assumption—and you may disagree with this—that only 5 per cent of the present class and commodity traffic is subsidized under the Freight Reduction Act, and it is carried by the trucks—and Mr. Montague was not able in a concrete way to argue with that figure of 5 percent, although he thought that it was low, and mentioned 10 to 15 per cent as perhaps being more reasonable—if this act were discontinued, then 95 per cent of the traffic currently carried at class or commodity rates and subsidized under this act would be freed from subsidy, and again the shipper would have to pay the difference between the current 8 percent and the original 17 per cent. In other words, you would be subjecting, or we would be subjecting, the shippers moving those goods under your class or commodity rates to a 9 per cent differential, and only 5 per cent of which the trucks could carry so as to lower the rate. What is your comment on that?

Mr. MAGEE: Mr. Montague handled this question before, so to be consistent, I had better ask him to deal with it now.

Mr. MONTAGUE: To begin with, my position is this: we always consider that this traffic is non-competitive primarily because of the price. At some stage, presumably most of it—perhaps 95 per cent of it—would find its way into competitive hands. It is not sufficient to say that we are only interested in 5 or 10 per cent. I would say that the bulk of it may be of interest to us. The only way to find out is to open it, and let competition occur.

The other item is this: are you confident, or is parliament confident, that the 95 per cent left after your supposition has been acted upon is in fact passed on to the shippers that you wish to assist. If this legislation were designed to assist the shippers on the periphery, let us say in western Canada or in the maritimes, or to assist manufacturers or people who were engaged in retail, or for these consumers, then we suggest that the act should be looked at to see if they are in fact the people who are receiving the benefit of the subsidy.

There is nothing in the act as now written to define in any way, or to limit, parliament's intentions. It simply says that as long as a non-competitive rate exists, and it may be for iron ore—yet we do not carry iron ore—or for other commodities of that nature.

The real question is: are these the people you wish to assist? And even in the maritimes alone, are you hitting the people you wish to assist? The legislation is so vague. It is a brilliant device to apply a temporary subsidy. It was a nice way to do it. But we try to show you, initially, that it involves expenses to which I do not think parliament gave proper consideration; I mean expenses in the order of \$5 million, and it is going to a point where you never were asked to pay it. Moreover, you have no idea whether this legislation is actually servicing the people you wish to assist. There is a suggestion that it does, but I do not think that is sufficient. If this legislation is becoming a pattern for the distribution of a subsidy, we oppose it, because it is here year after year.

Mr. TURNER: May I ask if the industry at present has enough equipment to move into that class and commodity field in a considerable way?

Mr. MAGEE: As the traffic develops, and as it has done so over the years, we have to obtain the equipment to handle it, and we do handle it.

Mr. FISHER: That is the point of your first recommendation, that trucking could come into play much more quickly than the railways.

Mr. MAGEE: Yes, they made that point and it is quite correct.

Mr. CHEVRIER: May I ask Mr. Magee a question or two which I hope will be pertinent to the bill? The first one is this: you have made here a strong plea in your brief against the implementation of this legislation. Suppose your representations were accepted, what would you suggest in lieu of the legislation which is now before the committee.

Mr. MAGEE: The free interplay of competition between various modes of transportation, with sufficient safeguards in federal legislation to prevent the monopolistic domination of any part of the transportation industry by the more powerful carriers.

Mr. CHEVRIER: The minister stated in the house—and he may correct me if I am wrong—that there has been an understanding between the railways and the governments that pending the passage of this legislation the railways will pay \$20 million to the shippers. Now, the point is this: if your recommendations are accepted and this legislation is not proceeded with, what happens to the railways who will not receive the money, and to the shippers who will not receive a reduction in freight rates? That really was the question I put in the first place.

Mr. MAGEE: I have sympathy for all the problems of the railways and of railway presidents; but I have no sympathy whatever for the railways in the particular circumstances that you are describing. The government said that to them, and I understand that they did—it was the privilege of the government to say it—but the railways knew perfectly well that the government might not be in a position to implement that undertaking, and they knew that the undertaking if it was made, could not possibly commit other parties in the House of Commons.

Mr. CHEVRIER: Do I take it from your answer that if this legislation was not proceeded with, then there is no alternative, in your opinion, other than to allow the railways to hold back, or the shippers to receive a reduction of 8 per cent?

Mr. MAGEE: Well, Mr. Chevrier, the railways would be holding back any reductions that they have effected from the time the subsidy ended, and they would have to decide, if the subsidy came off, what they were going to do

about the question of the remaining non-competitive class and commodity rates.

Mr. CHEVRIER: The royal commission on transportation recommends the repeal of this statute.

Mr. MAGEE: Yes.

Mr. CHEVRIER: And they recommend alternatives to be implemented which would do away with the necessity of paying this subsidy. What have you to say about the alternatives which they recommend in lieu of this particular Freight Rates Reduction Act?

Mr. MAGEE: Are you referring to the transitional subsidy programme?

Mr. CHEVRIER: Yes.

Mr. MAGEE: Well, so far as we are concerned, we oppose the massive outlay of public funds recommended by the royal commission on transportation in respect of passenger services, and with reference to branch lines, which is the bulk the \$100 million—I think about \$75 million of it. We are not opposed to the railways being given aid where they are compelled to maintain a line or service which is uneconomical and which the board of transport commissioners has said should be abandoned.

Yet parliament comes along and says: well, that may be uneconomical from the standpoint of considerations that the board of transport commissioners applies, and it may be that it should be abandoned; but we say that we must maintain that service or that line for national considerations. Well, in the trucking industry we say that certainly the railways should be compensated for that specific service or line, but not with a blanket subsidy programme of more than \$60 million for passenger service, and \$13 million for branch lines.

Mr. CHEVRIER: I understand that is your position; but the alternative seems to be either this legislation, which you do not like, or payments of \$100 million a year over a period of five years, pending the removal of these non-profitable services. It is either one or the other. Have you an alternative other than those two? I am trying to be helpful.

Mr. MAGEE: I realize that, Mr. Chevrier. So far as the railways themselves are concerned, it was not more than a year ago when Mr. Crump stated publicly "throw us to the wolves". It was the Canadian Pacific Railway which suggested "throw us to the wolves" so that we can compete; we can get along on our own. But they are not here today to support the opposition of the Canadian trucking association to the extension of this legislation. The Canadian Pacific Railway have not come here to oppose the \$50 million subsidy.

Incidentally, I might say, in order to assist the committee that we are consistent about these subsidies, and we did send to the Prime Minister yesterday, as well as to the Leader of the Opposition, to the leader of the Social Credit Party, and to the leader of the New Democratic Party a telegram which I would like to read to the committee if I may, on the question of the \$50 million subsidy. The telegram reads as follows:

CTA respectfully requests that any bill which will authorize supplementary payment 213A that is before the House of Commons today December 12 be sent to an appropriate standing committee of the house to receive representations from the Associations opposing extension of \$50 million subsidy for railroads and containing critical analysis of the method of administering the subsidy.

Mr. CHEVRIER: I am glad you brought that out about the \$50 million; but as to how much of it was paid is perhaps outside our purview. How much of that \$50 million in your estimation causes a true reduction of the freight rates?



Mr. MAGEE: I think it must all have some effect on the competitive freight rate situation of the railways.

Mr. CHEVRIER: You are familiar with the phraseology of the vote?

Mr. MAGEE: Yes, I am.

Mr. CHEVRIER: That is why I asked the question. It is tied up with a number of things, the Freight Rates Reduction Act, the board of transport commissioners and so on. I have not the wording before me.

Mr. MAGEE: And it says it is related to the recommendations of the MacPherson commission.

Mr. CHEVRIER: Yes, and that means that part of it might well be in payment of unprofitable passenger service returns on branch lines that are not competitive. Could you tell us how much of the \$50 million would be for reduction in freight rates?

Mr. MAGEE: I do not know. As far as I know, nobody knows what the basis of the \$50 million is, other than the description given in the supplementary estimates. It is not a recommendation of the royal commission on transportation that any interim payment be given to the railways in respect of its recommendations.

Mr. CHEVRIER: I am referring to that part of the MacPherson report where it says that the railways are to be subjected to all-out competition from the trucking industry. Does that part of the royal commission report meet with your approval?

Mr. MAGEE: They are being subjected to all-out competition by the trucking industry today and we are being subjected to all-out competition by the railways.

Mr. CHEVRIER: Do you say there is no difference in the position of the trucking industry today from that which will exist if the recommendations of the royal commission in so far as the truckers are concerned are implemented.

Mr. MAGEE: No, we do not say that; we say that if the royal commission report is implemented as recommended by the MacPherson commission, and implemented in every detail, it will have a most serious effect on the trucking industry.

Mr. CHEVRIER: I have a question or two in connection with United States lines. Can you tell the committee how many United States railway lines are benefiting from this payment of \$20 million?

The CHAIRMAN: That is set out in the brief, Mr. Chevrier.

Mr. MAGEE: Yes, it is in our submission. We set out the payments according to the information we could find in the public record of what the recipients had obtained from the Freight Rates Reduction Act and the \$50 million subsidy.

Mr. CHEVRIER: Do you know whether any of these railways applied to the royal commission on transportation for relief?

Mr. MAGEE: Well, we were at the royal commission hearings. We were represented by counsel from one end of the hearings to the other, and I do not recall the Chesapeake and Ohio Railway appearing nor the Wabash nor the Napierville Junction railway, and I do not recall Canada Steamship Lines appearing. For your information, Canada Steamship Lines is one of the largest truck operators in Canada; they own Kingsway Transports Limited and a number of others. They run right through to western Canada, and they are one of the largest truck operators in this country.

Mr. CHEVRIER: Are you contending that none of this money should be paid to United States railways under this act.

Mr. MAGEE: Under the Freight Rates Reduction Act?

Mr. CHEVRIER: Yes.

Mr. MAGEE: In the \$20 million subsidy?

Mr. CHEVRIER: Yes.

Mr. MAGEE: Or the \$50 million?

Mr. CHEVRIER: Well, the legislation that is now under consideration. Are you saying either directly or in effect that none of this money should be paid to United States railways?

Mr. MAGEE: We say this, Mr. Chevrier, that the payment of funds to these railways is not assisting the objective that parliament seems to have set under this legislation and that is to assist the shippers of western Canada and the maritimes.

Mr. CHEVRIER: Well, I would think that you would have said positively, as I feel myself, that none of this money should be paid to United States railways with, perhaps, the exception of one, Midland of Manitoba, because it participates in the Crowsnest rates, whereas the others do not.

Mr. MAGEE: I was trying to differentiate between the objectives I thought parliament had in mind in passing this legislation, and also the second situation which exists, whereby these companies were applicants for the 17 per cent increase. If parliament says they insist on rolling back the rates of the applicants who are awarded the increase, and parliament rolls them back, then we feel the company should be compensated. We would expect the same thing to be done in the case of trucking companies. If parliament said to all the extra provincial trucking companies: roll back your rates 10 per cent, we would expect parliament to compensate them.

Mr. CHEVRIER: You have laid out in your brief the amounts of money paid to the United States railways under this act; have you a similar statement with reference to vote 213A, which you have been complaining about and concerning which you sent a telegram to the leaders?

Mr. MAGEE: Yes. That is shown in the brackets in the appendix, the last line of figures.

Mr. TURNER: Mr. Chairman, I have a supplementary question.

Mr. Chevrier asked Mr. Magee whether he had any suggestions as to how the act might be amended. Would you be agreeable to an amendment which provided that the subsidy is paid directly to the shipper irrespective of the type of carrier?

Mr. MAGEE: Yes, we would. That is basically the position of the Associations on these types of subsidies, and that is the position we took when we met the Prime Minister and members of the cabinet last year. And, I might say that the Prime Minister commended us on our submission in regard to the degree of fairness in which it was presented, and he made that statement several times at our meeting.

The CHAIRMAN: Have you a question, Mr. Bradley?

Mr. BRADLEY: Mr. Chairman, there is one thing I want to have made crystal clear. I have been waiting an hour to get this point straightened out. It says on page 11 of the truckers brief: "we ask the committee to reject Bill C-91." And yet Mr. Magee now says he would entertain an amendment to this bill which would allow direct payment to shippers. Is that correct?

The CHAIRMAN: No, there is nothing in this bill that says anything about that. This is just to extend the period under which this Freight Rates Reduction Act will be in force.

Mr. BRADLEY: Now I am confused again. Exactly what do you ask in this brief, Mr. Magee, an out and out rejection of Bill C-91?

Mr. MAGEE: That is what we ask. But, what else can we do in respect of

a subsidy that was introduced as a one year temporary subsidy in 1959? We have to face realities.

Mr. CHEVRIER: Hear, Hear.

Mr. MAGEE: We have to take up a position which will take care of every eventuality, and we are taking care of the eventuality that this legislation is being extended again. Certainly, if parliament would say they would give the money to the shipper we would have no complaints about that. That part of the MacPherson report and recommendations we agree with. That was a fundamental principle asserted by the MacPherson commission in respect of all the freight rate reduction subsidies, the Maritime Freight Rates Act, the bridge subsidy and so on.

Mr. BRADLEY: But what do you suggest we do in the interim? That is the point Mr. Chevrier was bringing up, and I am now—and I think it is really a pertinent point. What do you suggest we do in the interim between now and the time that these reforms might be brought in? If we reject this legislation now we are in a vacuum.

Mr. MAGEE: Well, we suggest you reject the legislation. When we first appeared we were met with the problem, well, it is only going to be one year, and now we are met with the statement that it is only going to be a little while until the MacPherson recommendations come into effect, so they ask us to hang on a little longer. One other thing; I do not feel in all the years I have appeared before this committee that I really have made very much of an impression on behalf of the trucking industry.

Mr. HORNER (*Acadia*): But, you have.

Mr. MAGEE: I wonder why the truckers send me back. I invited them not to do so this year.

I just wanted to say, Mr. Chairman, that I still cannot understand why, after all these years, the Parliament of Canada will not recognize this industry and take into account its problems in the consideration it gives to these matters.

Mr. HORNER (*Acadia*): I think the government has recognized the trucking associations interests.

Mr. MAGEE: In one instance, yes.

Mr. HORNER (*Acadia*): More than once.

Mr. MAGEE: You are referring to Mr. Brown's bill.

Mr. HORNER (*Acadia*): And, again, the Department of Agriculture asked you to submit a brief under the feed —

Mr. MAGEE: Yes.

Mr. HORNER (*Acadia*): And that was a form of recognition.

Mr. MAGEE: But that is a development which has taken place in the last month.

Mr. HORNER (*Acadia*): But it does not matter when it took place.

Mr. MAGEE: We do appreciate it.

Mr. CHEVRIER: Is not this whole problem the result of the constitution of our country. In the beginning the trucking industry was purely a provincial undertaking and, owing to the development of science and so forth, it has become a national undertaking. Does not much of the difficulty find its origin in that constitutional problem?

Mr. MAGEE: I think that is part of the difficulty, Mr. Chevrier; but, since the privy council, as far back as 1954, clarified who had jurisdiction over a very large portion of the industry, the extra provincial portion, I think from that time on there should have been some recognition given to the problems of the industry.



Mr. CHEVRIER: I agree with that; but, is that not also a question of intra provincial jurisdiction in that the provinces might well get together in an interprovincial conference and determine some of the problems with which the industry is confronted.

Mr. MAGEE: No, Mr. Chevrier. They will never all agree on the fundamental problems in the foreseeable future, and we say that at least part of the industry is directly under the jurisdiction of parliament and it is parliament's responsibility to do something to take cognizance of the problems of the industry.

The CHAIRMAN: Had you finished, Mr. Bradley?

Mr. BRADLEY: Yes, Mr. Chairman, except to say that I hope I have not been offensive to Mr. Magee. This is my first year here, Mr. Magee, and I had hoped you had something to offer in the interim on this bill.

Mr. MAGEE: I did not take any offense from your remarks, Mr. Bradley, and my remarks were not directed personally at you. I was giving vent to some deep felt feelings of mine which are shared by all the people who come to our meetings. We just do not seem to be able to get through the barrier of apathy and the feeling that we really do not come under the thinking processes of the federal government. It seems that we are more of a provincial industry, whereas the railroads are the problems of parliament. We do not agree with that. We do not think that is right or fair.

Mr. ROCK: Mr. Magee, is there a possibility that the reason for your request that the House of Commons not pass the bill is that it is possibly an intention of the trucking industry to raise their rates in the very near future, in which case competition might be quite tough between the railways and the trucking industry, since you have lately given substantial increases owing to strikes in different areas of the trucking industry? In Montreal we have had quite a few workers on strike, consequently their wages have had to be increased. Possibly the same has happened in many other areas across Canada. Therefore, the possibility exists that you might have to raise your rates, and competition for the trucking industry and the railways might be greater than it has been in the past.

Mr. MAGEE: Yes, there is no doubt about it that our operating costs are going up. I am not going to sing a song on the problem of operating costs because any business has them and every business talks about them. Nor am I going to pinpoint it only on labour. That happens to be the biggest element of our revenue dollar that goes out. But there are other costs that have gone up and there are areas in which trucking rates increases are required. Actually, the level of freight rates in Canada seems to be going down, not up, even when new freezes are applied, and of course there are no freezes applied to the ones that go down. However, there is a very intense rate war going on in many sections of the transportation industry today involving the railroads and the trucking industry.

Mr. ROCK: Yesterday, before the meeting closed, I asked you a short question; whether you were here to ask us not to pass this bill C-91 or whether you were here to get part of this subsidy. You said you were not here to get part of the subsidy; you were here to ask members not to pass bill C-91. Yet, today, after Mr. Turner asked you whether you would be happy if the subsidy were paid directly to the shipper rather than to the companies, you said yes.

Mr. MAGEE: If what Mr. Turner suggested were done, it would be a fundamental change in the legislation that is before this committee. In our opinion it would be a very great improvement.

Mr. LEBOE: This is your second choice, you would rather have the act

eliminated, but if it is not eliminated you would welcome a change along the lines suggested yesterday. Is that correct?

Mr. MAGEE: That is right.

Mr. PASCOE: Mr. Chairman, I am pretty far down on the list but I would like my questions answered. I have received letters from individual trucking firms in Saskatchewan and I would like to put this on record although it might not be necessary. Would they be included in this submission of the Canadian trucking associations which you read to the committee?

Mr. MAGEE: I would assume so, Mr. Pascoe.

Mr. PASCOE: I want to ask you a question on which you have already commented several times. Bill C-91 covers a period ending on April 30, 1963, which is only about four months from now. I would like to clarify again a point on which you have already spoken. Are the trucking companies directly opposing this bill, which to a large extent covers the period already passed, or are they actually presenting their point of view for the information of the government in formulating future freight rate policies?

Mr. MAGEE: They are opposing the legislation, Mr. Pascoe.

Mr. ROBICHAUD: I have a supplementary point. Did you give any thought, in the last sentence of your brief, to changing the sentence from "we ask the committee to reject bill C-91" to "we ask the committee to amend bill C-91"?

Mr. MAGEE: Yes, sir, we did. Last year we suggested an amendment to the bill which I described earlier in my testimony. It comes back to the question I was asked a little while ago: did I really think the committee was going to reject the legislation. Our assumption last year was that we really did not think they were, and we were left in no doubt about the matter because the statements were there in *Hansard* for us to see before the bill came to this committee. Because of that we did, for the first time in our representations on this legislation, suggest an amendment somewhat in line with the comments that Mr. Argue made this morning.

As I told the committee earlier today, that amendment was considered out of order by the committee. It was actually proposed by two members of parliament on the committee and it was considered out of order. Therefore this year we have again had to face realities. We have come back and assumed our original position without any equivocation or suggested compromise. But since I have been asked the question on the committee: would we be satisfied if the money were paid to the shipper? we say that if parliament is going to aid shippers, then the way to do it is to give the aid to them and give them a free choice of rail, trucks, air, water or pipeline.

Mr. HORNER (*Acadia*): This meeting is taking a new turn with thoughts of an amendment. Mr. Montague suggested a little while ago that in fact this bill was a brilliant compromise. That was quite a compliment to the bill. Now, apparently it could be improved upon, and certainly no piece of legislation is ever so perfect that it cannot be improved upon, but you suggested the subsidy be paid to the shippers. Would this not be a very difficult task to perform, since it is a fact that 8,000 articles are shipped on the non-competitive rates and that 30 per cent of the traffic goes on the non-competitive rates? It looks like a big administrative cost to try to dole out this money to thousands of shippers, as I understand this amendment?

Mr. MONTAGUE: I would like to comment on the "brilliant compromise". I was using the word "compromise" as I understand the term. To me it suggests that something was sacrificed in order to attain a limited objective. We have argued that you sacrificed a good deal so far as the original intention was concerned which was a temporary subsidy in the last twelve months. That is how the legislation was designed. The whole implication was that at

the end of that time it would be done and there is a limit as to when we have to take action and make a permanent solution to this problem. The whole intention of the bill was wiped out the minute you passed it again, and from that point on we will not have to look upon this as a temporary measure because the whole purpose of the thing is to be a simple bill which by an amendment changes it from a temporary subsidy to a continuing subsidy.

I say that initially it was a brilliant compromise and it made certain sacrifices which perhaps were justified for the very brief time during which the bill was designed to last. Now I think the bill is a horror because you are avoiding some administrative costs, but on the other hand you are picking up the tab for the central Canadian shippers who never asked for assistance. On the evidence which you have before you perhaps 25 per cent of the money you are paying out in this bill is going to central Ontario. You are also paying minor amounts to sundry American railways which never asked for assistance, and never worried about whether their rates went up or down, and you have done this now for three years. This is the whole basis of our argument about this bill.

Mr. HORNER (*Acadia*): Just one further question to follow up this particular point; I can give Mr. Montague an awfully good chance to get off the hook on the "brilliant compromise". I realize this. But, in fact, those were initially your own words. Mr. Magee has continually said "let us face reality". We all agree that in fact we do not like to see any money at all going to American lines. I think the Canadian National should get out of the United States. I have said it at various times. However, we have got to face reality, as Mr. Magee has so often said. While I believe that this subsidy is actually passed on to the shipper owing to the lower rates, I have now seen enough to realize that this does not bring about a reduction from the  $17\frac{1}{2}$  per cent to 8 per cent. I believe this does have a tendency to lower commodity costs to people in Canada, and it does not really matter if these costs are lower because we pay a few thousand or \$100,000—which is a lot of money—to half a dozen American lines. I believe it is serving a purpose. It is keeping costs down for the shipper in Canada.

Mr. MAGEE: It is more like a million dollars.

Mr. HORNER (*Acadia*): You are better on figures than I am. To summarize my question: do you not actually think that this money does get down to the shippers, that it does bring about a reduction of freight rates from  $17\frac{1}{2}$  per cent to 8 per cent?

Mr. MAGEE: We never denied that, nor did we deny that the rates being reduced on the railways undoubtedly assist the shippers. We never denied that.

Mr. COOK: Mr. Chairman, many of my questions have been answered, but I have a direct question to ask Mr. Magee. I hope I will be able to explain myself well enough for the record. If the subsidy were cut off somebody said that the railway company would have to increase its rate by 9 per cent or else lose 9 per cent. Do you really think that there will be a loss? Do you think that the rate will be normal? Is it not a fact that previously the rate was too high?

Mr. MAGEE: I think that many of the rates that were increased during the 17 per cent increase were too high to remain very long where they were. The competition would require them to come down. That has been the experience even with the subsidy because the non-competitive rates, according to the testimony that has been given to the committee by the board of transport commissioners, have shrunk—the non-competitive part of the railway rate structure. They have shrunk under the impact of competition, even with the subsidy.



Mr. COOK: So that with no subsidies they would not have to increase and the rates would be normal?

Mr. MAGEE: If the freeze were taken off, the railways certainly could not put into effect the 17 per cent increase on all the remaining rates and hold them.

Mr. MARCOUX: I have a question to ask of the minister. It has been said that if this bill does not pass, the railway companies might be in a bad position; that it might be harmful to them. As this bill has always been a temporary measure, would it be fair to assume that the railway companies are prepared to face the eventuality of this bill not passing, maybe not this year but some other year? Are the railway companies prepared to face the fact that they might not have any subsidy?

Mr. BALCER: It would certainly jeopardize their position because every time any statement has been made on behalf of the government relating to this particular bill it has always been described as a temporary measure until the MacPherson commission recommendation could be implemented.

Mr. CHEVRIER: How long is "temporary", Mr. Minister?

Mr. BALCER: I have a short statement here that might be of help. I am referring to the Canadian Trucking Associations. The associations have stated that they oppose the payment of the subsidy. They have based their objection on several grounds, including amongst others, that truck competition was an increasingly effective force in holding down rail rates, that the Act indiscriminately applied to every so-called non-competitive rate, that the Act prevents the trucking industry from competing for traffic, that it is an expensive way of assisting shippers, and that subsidy payments become extended and tend to become permanent. For these and other reasons advanced in their brief the association ask the committee to reject the bill.

Perhaps I may remind the committee that when Mr. Hees—the then Minister of Transport—introduced the original Bill in March 1959 he stated that it was an interim measure designed to alleviate the burden of the authorized increase in rates; that the government was going to proceed with a comprehensive inquiry into matters affecting the railways; and that when the Commission's report became available consideration could then be given to means of further relieving the discriminatory burden of the freight rate structure.

As the committee knows, the royal commission was appointed in May 1959. The first volume of the commission's report was released in March 1961, and the second volume in December 1961. The government immediately took the report under consideration and in the speech from the Throne it was stated that parliament would be asked to approve measures to give effect to the commission's recommendations.

While it took longer to receive the commission's report than was originally anticipated I think it evident that the intention of the government as stated by the then minister has not changed. There is no intention to continue this measure of assistance longer than necessary. But we must recognize that until legislation based on the commission's report is approved the need to alleviate the burden of the increased rates still remains. This is all that the present bill provides for. If the bill is not passed there would be an immediate increase in freight rates and this would certainly affect shippers in eastern and western Canada.

Now, I would like to tell Mr. Magee that the government certainly is well aware of the problems of the truckers and I can assure him that in any future legislation we would certainly take all their representations into consideration; but, as Mr. Chevrier has pointed out, I think one of the major hurdles in the relations between the federal parliament and the trucking industry is a con-

stitutional problem. I can assure Mr. Magee that before this legislation on the MacPherson report is brought forward, the trucking industry will have again the opportunity to express its views before the government.

Mr. CHEVRIER: May I ask the minister a question in respect of that. Mr. Balcer, when the legislation is prepared, I take it, that it will be done in the usual manner by an interdepartmental committee upon which is a representative of the Department of Justice, the Department of Finance, and all those departments which might be interested. Before that is done, will the committee give any consideration to the representations that have been made, not only today but since 1959 by the trucking industry to ascertain if some of the recommendations which they make can be implemented, notwithstanding the constitutional problem in the legislation.

Mr. BALCER: As you say, Mr. Chevrier, we have an interdepartmental committee that is working on this legislation. We also have a legislation committee of cabinet that is working on this very complicated legislation. I can assure you that the views of the truckers that have been expressed so far certainly have been taken into consideration, because anything you do in the matter of transportation in Canada involves not only the railways but also the truckers, and it is a relevant fact in Canada that there is a tremendous competition between the truckers and the railways. The MacPherson report refers to this problem. The legislation that will be brought before the house certainly will take into account the representations of the truckers; but I am not in a position to say what part will be implemented or what requests of the truckers will be answered. This is still in the processing stage.

Mr. CHEVRIER: Is it not a fact that in order to implement the recommendations, or some of the recommendations, which would meet their difficulty, you would have to go much beyond the recommendations of the royal commission and amend the Transport Act concerning the board of transport commissioners and the Railway Act; is that not a fact? That is why I pose my question on the constitutional problem. You would have to go beyond the recommendations of the royal commission.

Mr. BALCER: If we were to accept what the truckers have in mind, perhaps we would have to amend other statutes; but as you point out, there is a constitutional problem, and the board of transport commissioners is the body that deal with the railways primarily and the MacPherson report also was based on the situation of the railways in Canada.

Mr. BELL (*Saint John-Albert*): Could Mr. Magee make available to the committee members at some time something further to his statement about a lack of appreciation of the trucking industry? I have forgotten the way it was mentioned. Could he make available anything that is favourable to his case regarding the United States and other countries, saving and excepting the constitutional and geographical problems that we have. For example, do you know the number of trucks as compared to railroad mileage, or anything of that nature which will demonstrate that in Canada we really are on the wrong track as far as the trucking industry is concerned?

I know that the MacPherson report dealt with this subject, but at one time we received bulletins from the trucking associations, and I am wondering whether it would be possible without too much difficulty to produce to members some information along those lines.

Mr. BEAULÉ: Mr. Chairman, before we receive an answer to that question I should like to point out that my understanding is that Dr. Marcoux has the floor.

The CHAIRMAN: Mr. Bell's question was supplementary to the statement made by Mr. Magee.

Mr. MAGEE: Do you wish me to give you this information now, Mr. Bell, or at a later date?

Mr. BELL (*Saint John-Albert*): I should like to receive the information now if that is possible.

Mr. MAGEE: I do want to say that when I stated that we felt there was a lack of recognition of the problems of the trucking industry, and I think the record will bear me out, I made that statement in respect of parliament, not just the government. I was simply attempting to dramatize, if you like, the feeling that is shared by truckers all across Canada, by trucking associations all across Canada and their members, that this is a very large industry with a very great investment in facilities, property and equipment, having 100,000 employees across the country, and that it does not seem to get the same recognition from parliament in respect of its problems which the airlines, railways, pipelines and other forms of transportation receive.

Mr. BELL (*Saint John-Albert*): Mr. Magee, do you think it would be possible in the near future to make available to members of parliament comparable information in respect of the United States or other countries in support of your statement, because as a member of parliament it bothers me to be told that a very important segment of our country and of our economy is not happy about proper recognition?

Mr. MAGEE: Mr. Bell, I will do that but I should like to say immediately that there are no subsidies of this type being paid by the government of the United States to the railways in the United States.

Mr. MARCOUX: Mr. Chairman, it has been suggested by some members that we are wasting the time of this committee by asking too many questions. I should like to state my point of view in this regard. We are members of parliament representing the citizens of Canada, spending their money.

Mr. BYRNE: Mr. Chairman, I should like to rise on a question of privilege. I should like to dissociate myself from the members who criticize our questions. I do not know from where that criticism is coming.

Mr. MARCOUX: I did not point to any members in that regard but only stated that some complaints have been made.

I think the problem involves a dissatisfaction regarding the way the taxpayers' money is being spent. Subsidies are being asked for by the railways, but I have never heard of any request being made for a subsidy by a trucking company. We do not know how the trucking companies operate, nor would we know what happened to any subsidy that we provided. We must assume that their operations are being handled properly. We have this opportunity, of course, of asking questions of the representatives of the trucking associations. I realize that the association has troubles and I would be only too happy to attempt to solve those problems, but we must ask them as many questions as possible in order to ascertain what these problems are.

The CHAIRMAN: You understand, of course, Dr. Marcoux, that the money provided by this bill is administered by the board of transport commissioners, and its representatives are here ready to answer any questions members wish to ask of them in connection with this administration.

Mr. MARCOUX: Even the representatives of the Canadian National Railways did not have figures in this regard. I do not blame the minister for this situation; however it does exist.

Mr. BALZER: Mr. Chairman, I should just like to clear up a misunderstanding. Representatives of the Canadian National Railways have to appear before a special committee of parliament each year in respect of a review of its finances.



Mr. CHEVRIER: That is true, Mr. Balcer, but the other railway officials are not required to appear before such a committee and that is the point Dr. Marcoux is making.

Mr. MARCOUX: We have to spend \$20 millions of the taxpayers' money and must authorize such expenditure in a very few minutes.

Mr. ROCK: Mr. Chairman, I feel that Dr. Marcoux is quite right in his feeling. The railway companies have not asked for any extension or anything of that kind as far as I am aware. I have not heard of such a request being made.

Mr. BALCER: As the minister of transport I can assure you that the officials of the railways have assured me that they would be forced to increase their rates from 8 per cent to 17 per cent if this subsidy was not paid.

Mr. CHEVRIER: I think the point is that they have made application for a 17 per cent increase and by way of this subsidy that increase is reduced from 17 per cent to 8 per cent, is that right?

Mr. BALCER: Yes, that is right. Such a request was made to the board of transport commissioners and that board gave its approval, so they have the power to do so.

Mr. BYRNE: Mr. Chairman, I think Mr. Magee may have misled the committee in stating that the railways were not represented here in respect of this bill. This may have caused some misunderstanding. I think it should be perfectly clear that the railways have applied for an increase; that application was rejected and recompense is provided through this bill.

The CHAIRMAN: The railways made application and received approval for an increase in 1959.

Mr. BYRNE: That application was approved but subsequently the government refused to allow that increase. The government has stated that the railways must maintain a certain freight rate level and it would provide for the balance. I feel that is what we are doing by way of this bill.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I feel that we have completed our general discussion in this regard and I am now wondering whether it would be possible to allow Mr. Magee to leave. I think we have exhausted his information, or he has exhausted ours and perhaps we should allow him to leave at this stage.

The CHAIRMAN: I understand that Mr. Leboe has another question to ask Mr. Magee.

Mr. LEBOE: Mr. Chairman, I should like to direct a question to the minister. Mr. Balcer do you believe that there is actually discrimination against truckers as a result of the setting up of this subsidy? Do you believe that this discrimination actually exists?

Mr. BALCER: No, I do not.

Mr. LEBOE: Mr. Chairman, I should like to ask the minister to explain the basis of his opinion, that there is no discrimination in view of the evidence which has been placed before us to the effect that a shipper is not entitled to use a truck and receive a subsidy?

Mr. BALCER: I feel that Mr. Turner explained this point very well when he pointed out that only about five per cent of commodities covered by this increase would be affected as a result of competition by truckers.

Mr. LEBOE: I do not think it would make any difference at all if there was only one half of one per cent involved here because there is a principle at stake. I think the problem involves the simple question whether or not there is discrimination. I am sure in my own mind that there is discrimination,

and I base my opinion in this regard on the evidence which has been placed before us.

Mr. BALCER: I have railway people coming to my office every week stating that truckers are competing unfairly. That statement is made every time I meet a railways official.

Mr. LEBOE: That statement may well be true but the unfair competition is not a result of the legislation of this parliament.

Mr. HORNER (*Acadia*): Mr. Chairman, I think we should adopt Mr. Smith's recommendation. We are able to direct questions to the minister but I feel if we have completed our discussions with the representatives of the truckers association they should be allowed to leave.

Mr. LEBOE: Mr. Chairman, I should like to address another question to Mr. Magee.

Mr. HORNER (*Acadia*): I am sorry.

Mr. LEBOE: Mr. Chairman, we do have a conflict of opinion here and I feel that the members of this committee are entitled to know just exactly what the situation is.

Mr. HORNER (*Acadia*): We have been here for two days now.

Mr. MAGEE: As I understand your question, Mr. Leboe, it is this: is there, in fact, discrimination, and if I am right in that assumption, my answer is, yes.

Mr. CHEVRIER: The answer now lies with the members of the committee.

Mr. LEBOE: Mr. Chairman, I do not wish to take up the time of this committee, but I would like to pursue this line of questioning a little further. I believe there is discrimination involved, and no matter how small that discrimination is, we are dealing with a principle. I do not think we would be wrong in making allowance for administrative costs. Perhaps bills of lading should be marked in such a way as to indicate whether a subsidy applies. Perhaps the shipper could then appear once or twice a month before the board of transport commissioners and be given a subsidy similar to that received by the railways. I do not believe a great administrative problem would be created in this regard. I know that in my own experience we have shipped hundreds of thousands of dollars worth of freight over the years, some \$15,000, some \$20,000 of freight per week over the railroads and in other ways; but the administrative problem does not seem to me to be insurmountable; and if there is discrimination, then I think that this government or this committee could make some recommendation to overcome this problem at this point.

Mr. BALCER: I do not know if this will answer your question, but this money is not something which has been paid above the ordinary revenues of the railways. What happens is that the railways have to come before the board and prove to the board that their expenses were too high, and that they have to have more revenue. The board has authorized more revenue for the railways; so this \$20 million is money in lieu of money that had been approved by the board for the railways. What I mean is that the board of transport commissioners has not passed an order to give \$20 million to the shippers. It has passed an order to give more revenue to the railways, and has given them the power to get that money by increasing their rates from 8 to 17 per cent.

Mr. LEBOE: Now, concerning the five per cent, if the subsidy were removed, there is no guarantee that the railways would get that 17 per cent, but they would lose business if they maintained it at 17 per cent, under the competition of traffic.

Mr. CHEVRIER: That would be up to the railways to determine.

Mr. BALCER: Yes, they could lower their rates.

M. BEAULÉ: Si cette loi était adoptée, quelle partie du Canada serait le plus affectée dans l'industrie du camionnage?

Mr. MAGEE: Well, the only study that we have made was the one to which we referred in our evidence last year, and that was the effect of this act on the trucking tariffs in Quebec. And the part of our brief where we refer to that study was quoted in Mr. Montague's evidence to the committee last year, on the places where we found that existing truck tariffs were directly affected by the Freight Rates Reduction Act. That is on page 10 of the English language copy of our submission, and starting at the bottom of page 11 in the French language copy of our submission.

Mr. HORNER (*Acadia*): How were they affected? Were they lowered or raised? You said the rates were affected in one particular part of Quebec. I ask you how were they affected because of this?

Mr. MAGEE: Lowered, the truck rates were lowered because of the effect of this legislation.

M. BEAULÉ: Est-ce que les taux du transport routier sont plus élevés là où il n'y a pas de concurrence du «CNR», que ceux du «CNR» là où il n'y a pas de concurrence de la part des camionneurs? Là où les camions n'ont pas de concurrence, est-ce que les taux sont plus élevés que ceux du «CNR», ou les taux de «CNR» sont-ils plus élevés là où il n'y a pas de concurrence du camionnage?

Mr. TURNER: It sounds like apples and oranges to me.

Mr. MAGEE: Yes, it is always a fact that where there is no competition, the railways charge the full rate, and I would say that we are in no different position; if there is no competition where we are, we would do the same thing. But there is in most parts of Canada truck competition; there is in most parts of Canada competition between the railways and the trucking industry.

M. BEAULÉ: Lorsque l'on voit au rapport financier du «CNR» un déficit de 65 millions de dollars, est-ce que ce déficit serait abaissé si on accordait des subsides aux chemins de fer?

L'hon. M. BALCER: Définitivement.

M. VALADE: Quel montant du déficit annuel du «CNR» est attribué à la dépréciation sur le matériel roulant?

L'hon. M. BALCER: C'est mentionné au rapport annuel du «CNR». Je ne l'ai pas avec moi.

Mr. BYRNE: Yesterday morning, Mr. Magee, in support of his contention that this subsidy should not be granted, stated that the trucking industry had over 30 years broken a strong railway monopoly.

Mr. MAGEE: That is correct.

Mr. BYRNE: Notwithstanding that the railways built this monopoly with certain sizeable grants from the crown. Is it not also true that the truckers were assisted in the breaking of this monopoly by vast capital expenditures by the provinces in the way of roadbeds, maintenance, or roadbed construction? That is, you were assisted also by the taxpayer in this respect. Would that not be reasonable?

Mr. MAGEE: Our answer is that for the use of the highways we pay a full and fair share of highway taxes.

Mr. BYRNE: Have studies or experiments been made by the trucking industry or by provincial governments to determine just what would be the absolute figure with respect to the construction of roadbeds and so on? Can it be said with a good measure of truth that you actually do pay every cent of the roadbed maintenance costs, or is this a subsidization?

Mr. MAGEE: We are quite convinced that we pay a full and fair share of highway taxes. We assume that the provincial governments consider that it is their business to see that we do.



Mr. BYRNE: It has been said that each province in fact just taxes people to build these highways. But they have never made or actually come out with a study. They have never made a study or conducted an experiment which would show what the situation is?

Mr. MAGEE: We are quite convinced we pay our full and fair share of highway taxes and we assume the provincial governments consider it their business to see we do.

Mr. BYRNE: That is an assumption with each province?

Mr. MAGEE: Yes.

Mr. BYRNE: They, in effect, just tax the people to build these highways; but, they have not conducted an actual experiment to set this record straight.

Mr. MAGEE: The provincial governments have research staffs and economists who have these matters, particularly the question of truck taxation, constantly under review. The Ontario department of transport research branch is an example. There have been hearings of provincial committees, committees of the provincial legislatures; there has been a royal commission on the subject in British Columbia, and the matter is constantly under review. We take the position that we pay our full and fair share, and we are willing to defend that position in any public enquiry. As a matter of fact I said that in our submission to this committee last year.

Mr. BYRNE: What percentage of your roadbed maintenance is seen in your operating costs?

Mr. HORNER (*Acadia*): On a point of order, Mr. Chairman, it is a quarter to twelve; this is the third day we have been sitting and I think we should decide when we are going to meet again, and if we require the trucking associations back.

I am very interested in roadbed costs and the percentage they pay against that. This is a very debatable question and could take quite awhile. I do want to know what percentage they pay toward building highways. If we are through with the Canadian trucking associations, I think we should revert to Bill C-91; however, if we are not we should decide when we are going to have them back, this afternoon or tomorrow morning.

Mr. CHEVRIER: So help me God.

Mr. BYRNE: On a point of order, Mr. Chairman, it always amuses me when I hear people asking a multitude of questions and then being very anxious to discharge the witnesses without giving an opportunity to someone else.

Mr. HORNER (*Acadia*): I am not anxious to discharge Mr. Magee.

The CHAIRMAN: Were you finished with your question, Mr. Byrne?

Mr. BYRNE: Well, I am accepting the witness's statement that he is of the opinion they are paying their full share of the roadbed maintenance; I am accepting that but it does not convince me that this is an actual fact.

Mr. FISHER: I cannot hear you, Mr. Byrne.

Mr. MAGEE: We have a formal statement on this question which I prepared.

Mr. MACKASEY: Mr. Chairman, I have a question to direct to Mr. Magee.

The CHAIRMAN: Just a moment; Mr. Magee has not completed answering Mr. Byrne.

Mr. MAGEE: I was going to say to Mr. Byrne through you, Mr. Chairman, that we have a statement that we are prepared to submit to the committee on the question of truck taxation, because we expected this matter to arise. I have been holding this back because I know time is a factor; however, I would not want to leave the hearing with any impression going abroad—

that is, appearing in the press or elsewhere—that we do not pay our fair share of highway taxes. We are prepared to go into that question.

Mr. BYRNE: Mr. Chairman, when I was rudely interrupted I asked what was the actual cost of the maintenance, or what percentage is this of your total operating costs?

Mr. MAGEE: I have that specific information.

Mr. BYRNE: Well, if you have it, you could table it.

Mr. MAGEE: I cannot answer right now. It is not dealt with in our statement. This deals with the revenues that are contributed by the trucking industry. However, I will get the information for you, if I can.

Mr. MACKASEY: Mr. Magee, a few moments ago someone asked a question about the areas of competition and non-competition and you indicated there are areas where the truckers do not operate. Am I right in inferring that there are areas where the truckers find it not profitable and, therefore, place the full load on the railways? Also, would you feel the railways needed a subsidy if they had a choice of operating only in areas of profit? The truckers do not operate in areas where there is no profit because of the fact they find their operation would not be successful in such a case, but then the railways are expected to provide a service. What I am getting at is this: would not the railways find this subsidy unnecessary if they were free to operate only in the areas of high profit?

Mr. MAGEE: The trucking industry operates trucks in Newfoundland, sir, where we get about 10,000 miles out of the tires before they are torn to pieces.

Mr. TURNER: Do you mean the trans Canada highway?

Mr. GRANGER: You do not mean all the roads in Newfoundland are bad?

Mr. MAGEE: I am not referring to all the Newfoundland highways; I am referring to certain Newfoundland highways over which many members of the committee have driven, I am sure, as well as myself. I am merely using that to say and support the statement I am going to make, that wherever there are roads in Canada there are truckers operating, and they are operating in competition with railways, if there are railways in the area; and they are operating in competition with themselves, if there are no railways.

Perhaps I left the impression earlier that where truckers operate alone and there are no railways the rates are maintained at a high level. My reference in that situation was to where there would be a single truck line. I can give instances of where there are no railways in the area but where there are four or five trucking companies, and because of the competition amongst the truckers the level of the truck rates is no higher than it would be if there was railway competitive rate in the area. We have instances of this we can give you, if you wish.

Mr. SMITH (*Simcoe North*): Just before we adjourn, Mr. Chairman, I would like to suggest that we should change the name of this committee from the standing committee on railways, canals and telegraph lines to the Howe-Magee commission on railway-truck operations in Canada, as I do not think we could have gone much further afield.

Mr. COOK: On a point of order, Mr. Chairman,—

Mr. GRANGER: I do not think Mr. Magee meant that all the roads in Newfoundland are bad.

Mr. MAGEE: I know. The statement was no sooner out of my mouth than I realized I was in difficulty.

The CHAIRMAN: There have been difficulties ever since we started.

Mr. MAGEE: But, there are very good highways in Newfoundland and there are also some—

Mr. COOK: On a point of order, Mr. Chairman, would I be in order if I proposed that some representatives of these companies who benefit under this act be called as witnesses next week to answer questions.

Mr. VALADE: I have a short question I would like to ask.

The CHAIRMAN: Mr. Cook has suggested that representatives of all the companies who have benefited by this legislation should be called before the committee.

Mr. VALADE: Mr. Chairman, I should like to ask Mr. Magee one short question.

Mr. CHEVRIER: Is your question in regard to the same point? I think we should determine that first.

The CHAIRMAN: Mr. Valade, perhaps you will withhold your question until we settle Mr. Cook's point. I am in the hands of this committee.

The representatives of the trucking associations have indicated that there are a great many companies involved. It is my opinion that the shippers derive the majority of profit as a result of this act. It has been pointed out that without this subsidy there would be an immediate freight rate increase.

Mr. CHEVRIER: Mr. Chairman, I rise to a point of order. I think this is a matter for the steering committee to take under consideration. My own view, for what it is worth, is that it is the board of transport commissioners that determines what the railways will receive under this act. That is the body that determines the extent and amount of the subsidy given. Were we to ask this question of the railway officials, I am sure we would be informed that it is the board of transport commissioners that makes the decision.

Mr. COOK: We have no evidence before us to justify this position.

Mr. CHEVRIER: I believe that the time to decide whether or not the railway officials should be questioned is after we have been informed by the board of transport commissioners that they cannot give us this information.

Mr. COOK: We have been here three days now and still have not received a direct answer to this question.

Mr. CHEVRIER: Mr. Chairman, has a representative of the board of transport commissioners given any evidence to this committee?

The CHAIRMAN: We received evidence from the board of transport commissioners at our first meeting.

Mr. VALADE: Mr. Chairman, I have a very short question to ask Mr. Magee. I would like to ask a question as a result of the statement that the railways must face unfair competition from truckers. Has the trucking association taken any legal procedures in the courts in provinces other than Quebec on the basis of unfair competition?

The CHAIRMAN: Are you referring to the case before the courts in Quebec?

Mr. VALADE: No, I am asking about legal action taken in provinces other than Quebec.

Mr. MAGEE: Are you referring to the railways entering the trucking business?

Mr. VALADE: In view of your statement that there is unfair competition, I am asking whether there has been any legal procedures taken by the association in any province other than Quebec on the basis of unfair competition?

Mr. MAGEE: In all provinces there are continuous cases going on before provincial regulatory boards similar to the case before the Quebec Transport



Board last year in respect of the railways entry into the trucking business. There have been recent hearings in British Columbia in respect of Canadian National entry into the trucking business there. That entry was opposed by the automotive transport association of British Columbia.

There was a recent case in Saskatchewan where a similar attempt to enter the field was made by the Canadian National, and it was opposed by the Saskatchewan trucking association.

The same situation arose in Manitoba in respect of the Manitoba trucking association as well as in the maritimes in respect of the Maritime motor transport association.

Mr. VALADE: Were these cases commenced through provincial government transportation departments?

Mr. MAGEE: All the provincial trucking associations in Canada are represented now in the case in the Quebec superior court in respect of which the Canadian Trucking Associations is the plaintiff against the Canadian National Railways and the Canadian National Transportation Limited, having regard to the purchase of Midland Superior Express Limited and Husband Transport Limited. That is a test case in respect of which all the provincial associations in Canada are united through the C.T.A. That case is before the courts and will remain there until its conclusion.

Mr. ARGUE: Mr. Chairman, it is now 12 o'clock. The usual time for adjournment. I feel that Mr. Magee has done a very excellent job on behalf of the Canadian Trucking Associations.

Some hon. MEMBERS: Hear, hear.

Mr. ARGUE: We have had three meetings of a very extensive nature. Mr. Magee has been very informative. I wonder whether it would be appropriate at this time, Mr. Chairman, since we undoubtedly are going to hear other witnesses from other associations, to thank Mr. Magee for a job well done and get on to some other aspect of our considerations?

Mr. CHEVRIER: Mr. Chairman, I think those same accolades apply to Mr. Montague.

Mr. ARGUE: Yes, of course, I am sorry I did not mention Mr. Montague.

Mr. TURNER: Mr. Chairman, I was going to say that there are fewer than 10 transport economists in good standing in this country. This is a rare type of skilled individual. I include Mr. Montague in that figure of 10 and suggest that the association is very lucky to have retained him, and we have been very lucky to have had the benefit of his experience.

Some hon. MEMBERS: Hear, hear.

The CHAIRMAN: You have heard the sentiments of the committee expressed, Mr. Magee.

Mr. FISHER: Everyone loves you.

Mr. MAGEE: Mr. Chairman, I should like to thank the members of this committee for the hearing they have given us. This opportunity is very much appreciated by the Association and by truckers who have come from many parts of Canada, some from as far away as Burnaby, British Columbia and from points as far east as New Brunswick. We agree with Mr. Turner: we are extremely fortunate in having Mr. Montague and we hope that Mr. Gordon does not get him.

Mr. CHEVRIER: Mr. Magee, if his name was "Monteguai" perhaps Mr. Gordon would get him.

The CHAIRMAN: Gentlemen, I should like to thank you for being so patient with your chairman today. The steering committee will meet this afternoon at 4 o'clock in my office to consider the further witnesses to be called. We will meet again on Monday morning at 9.30 a.m.

Mr. CHEVRIER: We are not meeting this afternoon, I take it?

The CHAIRMAN: No, we are not going to have a meeting this afternoon.

Mr. TURNER: Mr. Chairman, will a representative of the trucking association be in attendance at our further meetings?

The CHAIRMAN: I have no doubt that there will be a representative in attendance, yes.

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MONDAY, December 17, 1962.

The CHAIRMAN: Gentlemen, I see a quorum.

The business before us this morning, once again, is Bill C-91, an act to amend the Freight Rates Reduction Act. I had called the first clause and we heard several witnesses. The gentlemen from the board of transport commissioners are here with us again this morning. What is your wish gentlemen? Shall I call the bill?

Mr. ARGUE: Call the bill.

The CHAIRMAN: Shall clause 1 carry?

Clauses 1 and 2 agreed to.

The CHAIRMAN: Shall the title carry?

Agreed to.

The CHAIRMAN: Shall the bill carry?

Agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Agreed to.

The CHAIRMAN: Thank you very much gentlemen.

The following is the English translation of questions and answers in French on the date indicated.

THURSDAY, December 13, 1962.

NOTE: The English translation of the statement by the Canadian Truckers Association (Pages 121 and 122) appears in Issue No. 3.

Page 123

Mr. GAUTHIER: Mr. Chairman, my question is directed to Mr. Magee. In his report, on page 2, he says this:

As a result of this decision on the part of the Transport Commission, the railway companies increased their rates.

In your opinion, Mr. Magee, do you believe that in the non-competitive areas of which you speak, the C.N.R. would have had to increase its rates because of local conditions if it had had to face competition from truckers?

\* \* \*

Page 123

Mr. GAUTHIER: Now what do you mean when you say at the end: "There they could have done so?"

\* \* \*

Page 146

Mr. BEAULÉ: If this bill is adopted, what part of Canada will be most affected in the trucking industry?

\* \* \*

Page 147

Mr. BEAULÉ: Are the road transport rates higher where there is no competition from the C.N.R., than in places where the C.N.R. has no competition from truckers?

Where trucks meet with no competition, are the rates higher than those of the C.N.R., or are the C.N.R. rates higher where there is no competition from truckers?

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Page 147

Mr. BEAULÉ: When we read in the C.N.R.'s financial report of a deficit of 65 million dollars, would this deficit be reduced if subsidies were granted to the railways?

Mr. BALCER: Definitely.

\* \* \*

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Mr. VALADE: What portion of the C.N.R. annual deficit is attributed to depreciation on rolling stock?

Mr. BALCER: It is mentioned in the C.N.R.'s annual report. I don't have it with me.



OFFICIAL REPORT OF PROCEEDINGS AND EVIDENCE

This edition of the Minutes of Proceedings and Evidence contains the text of the Evidence in the language in which it was given, and a translation in English of the French texts printed in the Evidence.

HOUSE OF COMMONS  
First Session—Twenty-fifth Parliament  
1962

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STANDING COMMITTEE  
ON  
**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* W. MARVIN HOWE, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE  
No. 5

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MONDAY, DECEMBER 17, 1962

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Respecting

BILL C-59, An Act to approve an Agreement between the Government of  
Canada and the Government of the Province of Ontario respecting  
Public Harbours.

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INCLUDING FIFTH REPORT TO THE HOUSE

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WITNESSES:

Hon. Léon Balcer, Minister of Transport; and Messrs. W. J. Manning,  
W. F. Elliott, and Jacques Fortier, of the Department of Transport.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1962

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* W. Marvin Howe, Esq.

*Vice-Chairman:* Marcel Bourbonnais, Esq.

and Messrs.

Addison,	Grills,	Nielsen,
Argue,	Gundlock,	Nugent,
Badanai,	Hodgson,	Ormiston,
Baskin,	Horner ( <i>Acadia</i> ),	Pascoe,
Beaulé,	Howe,	Phillips,
Bélanger,	Lamoureux,	Rideout,
Bell ( <i>Saint John-Albert</i> ),	Leboe,	Robichaud,
Benidickson,	Legaré,	Rock,
Bourbonnais,	Lewis,	Ryan,
Bradley,	MacEachen,	Rynard,
Byrne,	MacEwan,	Sams,
Cameron ( <i>Nanaimo-Cowichan-The Islands</i> ),	Mackasey	Sauvé,
Chevrier,	Maltais,	Smith ( <i>Calgary South</i> ),
Cook,	Marcoux,	Smith ( <i>Simcoe North</i> ),
Crouse,	McCleave,	Stenson,
Drury,	McDonald ( <i>Hamilton South</i> ),	Tucker,
Dupuis,	McMillan,	Turner,
Fisher,	McNulty,	Valade,
Gauthier,	McPhillips,	Webb,
Granger,	Munro,	Winch—60.

Dorothy F. Ballantine,  
*Clerk of the Committee.*



## ORDER OF REFERENCE

MONDAY, December 3, 1962.

*Ordered*,—That Bill C-59, An Act to approve an Agreement between the Government of Canada and the Government of the Province of Ontario respecting Public Harbours, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

## REPORT TO THE HOUSE

TUESDAY, December 18, 1962.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### FIFTH REPORT

Your Committee has considered Bill C-59, An Act to approve an Agreement between the Government of Canada and the Government of the Province of Ontario respecting Public Harbours, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issue No. 5) is appended.

Respectfully submitted,

W. M. HOWE,  
*Chairman.*

## MINUTES OF PROCEEDINGS

MONDAY, December 17, 1962.

(8)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 a.m. this day. The Chairman, Mr. W. M. Howe, presided.

*Members present:* Messrs. Badanai, Bell (*St-John-Albert*), Bradley, Byrne, Drury, Fisher, Granger, Hodgson, Howe, Lamoureux, Lewis, MacEachen, MacEwan, McNulty, McPhillips, Pascoe, Rock, Stenson, Tucker, Turner, Webb, Winch.—(22).

*In attendance:* The Honourable Léon Balcer, Minister of Transport; *From the Department of Transport:* Mr. W. J. Manning, Director, Marine Works Branch; Mr. W. F. Elliott, Superintendent of Management, Marine Works Branch; Mr. Jacques Fortier, Counsel.

The members proceeded to the consideration of Bill C-59, An Act to approve an Agreement between the Government of Canada and the Government of the Province of Ontario respecting Public Harbours.

### *On Clause 1*

On the invitation of the Chairman, the Minister of Transport introduced the officials from the Department of Transport. Mr. Manning made a short statement on the purpose of the Bill.

Mr. Balcer was questioned, assisted by Mr. Manning, Mr. Elliott and Mr. Fortier.

*Clauses 1 and 3* were severally carried.

The Chairman drew the attention of the members to a minor typographical error in the Schedule.

*The Schedule and the Title* were carried; the Bill was adopted without amendment.

*Ordered,*—That Bill C-59 be reported to the House without amendment.

At 11.30 a.m., the Committee adjourned to the call of the Chair.

Dorothy F. Ballantine,  
*Clerk of the Committee.*





## EVIDENCE

MONDAY, December 17, 1962.

The CHAIRMAN: Gentlemen, I see a quorum.

We have at this time before the committee Bill C-59 to approve an agreement between the government of Canada and the government of the province of Ontario respecting public harbours. I will call clause 1 and ask the Minister of Transport to introduce the witnesses and explain the purpose of the bill.

On clause 1—*Short title.*

Hon. LEON BALCER (*Minister of Transport*): I have with me this morning Mr. Walter J. Manning, director, marine works branch, Mr. Jacques Fortier of the legal branch of the Department of Transport and Mr. W. F. Elliott who is superintendent of management, marine works branch.

I have already made a statement in the house; it is at page 2264 of *Hansard* of December 3.

The CHAIRMAN: Would you like the statement given again, gentlemen?

Mr. BADANAI: I do not think it is necessary.

The CHAIRMAN: I will ask Mr. Manning, the director of the marine works branch, to explain this statement.

Mr. W. J. MANNING (*Director, Marine Works Branch, Department of Transport*): This agreement with the province of Ontario is strictly a real estate transaction for the purpose of clearing up some controversy which there has been over the years with the province of Ontario about the ownership of water lots in these various harbours which at the time of confederation became federal harbours. There are quite a number of harbours. I believe there are more than 200 which are not included in this list, because there is no need to include them since there is no controversy regarding ownership. The bottom belongs to the province and when the federal government wishes to build a harbour or a wharf it goes to the province to acquire a water lot. The province had dealt with a number of real estate transactions in respect of which the limits were not established at confederation and these are being legalized by this bill.

Mr. WINCH: It is a complete agreement and is not being challenged by Ontario.

Mr. MANNING: No. The Ontario legislature is supposed to pass a similar act.

Mr. BADANAI: Mr. Manning stated that there are water lots involved. What about the land in front of the water lots which are owned by the railways? I am referring particularly to the harbour in Fort William where two-thirds of the land fronting on the islands or lake Superior are owned by the railways. How does this agreement affect the lands which are owned by the railways?

Mr. JACQUES FORTIER (*Counsel, Department of Transport*): In 1867, where there was any harbour, the bed was vested in the crown. That is the determining point. It is to determine what are the public harbours which became the property of the Queen under section 148. In Fort William I do not know that there was any railway land between high and low water.

Mr. BADANAI: But the land fronting on the water is owned by the railways?

Mr. FORTIER: Yes, but is it land under water?

Mr. MANNING: Riparian owners' rights are not affected by the bill.

Mr. BADANAI: In other words the land still remains in the title of the railways?

Mr. MANNING: Yes.

Mr. BADANAI: Or any other private properties.

Mr. MANNING: Yes. This is strictly the use by the federal government and the province of Ontario.

Mr. BADANAI: And the title is not affected at all?

Mr. MANNING: No.

Mr. FISHER: My question is supplementary and relates to the same area. The lakehead harbour commissioners were given rights under the lakehead harbour commissioners bill to supervise the harbour. Do I understand that this bill which demarcates officially the scope of the public harbour also demarcates the scope of the operation?

Mr. MANNING: The lakehead harbour commissioners will have authority over the land, which is federal land only, mentioned in this bill.

Mr. FISHER: The act which was passed several years ago to create the lakehead harbour commission also set out the scope of the operation. The commissioners have certain rights as harbour commissioners to any of the land in the public harbour. They can make rules and regulations. Does this in effect, in respect of Port Arthur and Fort William, more clearly define what the harbour is?

Mr. MANNING: No sir. It lists the underwater land which will come under the administration of the commissioners.

Mr. FISHER: I understand the lakehead harbour commissioners were going to seek amendments to the act in order to clear up certain problems. Do these changes they are seeking relate to the measure here?

Mr. MANNING: Not that I know of. They have not approached us.

Mr. FISHER: They may have approached the minister's office.

Mr. BALCER: I do not recall anything in that regard.

Mr. FISHER: You have not had any word about amendments to the lakehead harbour bill.

Mr. BALCER: No.

Mr. McNULTY: Could I find out why Port Dalhousie harbour which is actually part of the city of St. Catharines now is not included in this amendment?

Mr. MANNING: Port Dalhousie is part of the Welland canal and is administered by the seaway. There is no doubt there about what is federal property and what is provincial property. That is why it is not included in here.

Mr. McNULTY: Any harbours in that category are not included in this act.

Mr. MANNING: No.

Mr. BALCER: This list is not inclusive; it is only a list of 27 harbours where there was a dispute whether the water lot was federally or provincially owned. It was decided that there should be an agreement between the two government bodies in respect of these harbours where there was a dispute. However, in respect of the other harbours such as Cornwall, and so on, which were well defined at the time of confederation and afterwards, there is no problem with the province of Ontario.



Mr. McNULTY: Would the department or the seaway authority have the metes and bounds description, or would they have a description of the property which comes under the jurisdiction of the seaway authority?

Mr. MANNING: Yes, sir.

Mr. McNULTY: Is it possible to obtain a copy showing just what part of the harbour is concerned, or is it the whole harbour?

Mr. MANNING: I am sure we can get it.

Mr. BALCER: We can get that for you from the seaway authority.

Mr. LAMOUREUX: Mr. Chairman, a moment ago the minister mentioned there was no problem in connection with Cornwall because the limits are well defined. If that is the case, would it not have been simpler to include it in this bill?

Mr. BALCER: It would not have served any purpose.

Mr. LAMOUREUX: I cannot agree with that. It seems to me the purpose of this bill is to decide and determine something that was not done at the time of confederation in 1867. In 1867 the schedule to the act should have, I assume, included all the harbours which were public harbours but in respect of which, through some oversight, as I understand it, there was no list included. The purpose of this bill is to rectify that oversight in the drafting of the schedule to the British North America Act. As we are doing that, it seems to me all the harbours which are public harbours should be included in the new schedule.

Mr. MANNING: In Cornwall, as you know, the canal property at confederation became federal property and the remainder, the waterfront, was in private hands.

Mr. LAMOUREUX: But the harbour has nothing to do with the canal; it is east of the canal property. In 1867, it was east of the canal property and it is still east of the canal property.

Mr. MANNING: Yes. The ownership of the bed is recognized by the province of Ontario.

Mr. LAMOUREUX: How was this recognized? It was recognized by whom?

Mr. MANNING: By Ontario and the federal government.

Mr. LAMOUREUX: But why is it recognized?

Mr. MANNING: All the waters of Lake Ontario and the St. Lawrence river which are not included in this list belong to the province of Ontario.

Mr. LAMOUREUX: But why is it recognized to be the property of Ontario? If it was a public harbour in 1867, it cannot be the property of Ontario.

Mr. MANNING: Where was the harbour in 1867?

Mr. LAMOUREUX: Well, that is the point.

Mr. Chairman, Mr. Manning just said there was no problem because the limits were well defined and, if they are, we know where it was, and that is the point that I tried to make when I endeavoured to go through the history of the port of Cornwall recently.

The suggestion I am making to you now is that the limits of the harbour as they were in 1867 are just about the same as they are now, as a result of which it would have been easy to declare these same limits as being a public harbour and it should have been included in the list of ports or harbours which were effectively public harbours in 1867. Why was that not done when the purpose of this bill is to declare what harbours were public harbours and what harbours are federal property.

Mr. JACQUES FORTIER (*Legal Counsel, Department of Transport*): The law on public harbours, Mr. Chairman, is that the transfer effected by section

108 of the third schedule of the British North America Act is a transfer of full ownership of the soil so far as it was crown property.

The Supreme Court of Canada, in the case of *Holman versus Green* stated the property in public harbours which is vested in Canada by the British North America Act is the soil ungranted at the time of Confederation between high and low water. Now, Mr. Manning has said that, except for the canal at Cornwall, the foreshore was held in private hands and, in accordance with this decision, there was nothing in 1867 which could become the property of Canada. There was no ungranted land between high and low water.

There is also the privy council decision in the *Jalbert* case at Chicoutimi. In connection with this case, in 1907 *Jalbert* was granted a water lot at Chicoutimi by the province of Quebec, on which he had built a wharf. The federal crown, without expropriation, had taken possession of the lot for certain harbour improvements, and in a subsequent court action the crown pleaded the title vested in the federal crown under section 108. The privy council ruled that in 1867 Chicoutimi had a private wharf only and there was no public wharf until 1873 as well as no harbour authority and, therefore, there was no public harbour within the meaning of section 108.

Mr. LAMOUREUX: Was a study made of the situation in Cornwall in 1867 or as it was in 1867?

Mr. W. F. ELLIOTT (*Superintendent of Management, Marine Works Branch, Department of Transport*): Yes, Mr. Lamoureux, it was considered. The limits were not determined because all the land already had been disposed of and there was no land belonging to the crown left.

Mr. LAMOUREUX: But that would be the foreshore.

Mr. ELLIOTT: We mean foreshore, the water below the high water mark.

Mr. LAMOUREUX: How about water lots?

Mr. MANNING: That is a water lot, the land.

Mr. LAMOUREUX: All the water lots have been allocated as private property?

Mr. ELLIOTT: I believe so.

Mr. LAMOUREUX: That is not my understanding. Although 1876 is a long time ago, my understanding is that that is not the situation, and that is a point I have been wanting to make. Could I find out how the department determined which harbours would be included? The point is, I am wondering whether each and every one of the harbours and ports, or towns and villages, which were on the river front and lake front in Ontario in 1867 have been studied individually to determine whether they were public harbours in 1867.

Mr. ELLIOTT: Well, when this came up in 1938 we made a very extensive study of all the harbours of Ontario; we looked at old books, charts and documents which would indicate what was going on at the time of confederation. We composed a list of 132 harbours where we had evidence harbour activity had taken place. Many were very small places at the time of confederation and have not developed since that time. The federal government did not want to get into a large real estate problem, as a result of which it was generally agreed in our negotiations with Ontario that we would claim the major harbours where there was still a substantial amount of ungranted land, with the result that the number of harbours has decreased to 27. We also had the problem at that time of how we could show that every particular foot of frontage was used at confederation, and this was impossible. We could show only the general area that was used. In order to have one body in control, in connection with some of the harbours that are larger quite a lot more land was included in the areas that are in this agreement than was actually in use at confederation, and other harbours where there was not much development since that date were dropped from the list.

Mr. LEWIS: Were there any harbours that were left out because there were disagreements between the two jurisdictions?

Mr. ELLIOTT: In our original number of harbours there were three, I think, in which we had some evidence; however, the Ontario authorities felt it was not sufficient, and we dropped those.

Mr. LEWIS: Which are they?

Mr. ELLIOTT: Midland, Fort Erie and Wallaceburg.

Mr. LAMOUREUX: How many did you say there were?

Mr. ELLIOTT: There were three.

Mr. LEWIS: And they were dropped because you and Ontario could not agree to whom they belonged?

Mr. ELLIOTT: We had to admit that with the amount of evidence we had our position was not very strong and we dropped them. However, in other cases where we felt we had a good case we argued the facts and convinced them.

Mr. McNULTY: Could we be informed whose responsibility it is in connection with maintenance in these public harbours? Does the federal authority look after the maintenance of the harbours?

Mr. BALCER: Any wharves which are built by the department of public works and under transport administration are not affected. This bill does not change anything except the land under water; in the case of the harbours mentioned here, they will come strictly under transport administration.

Mr. McNULTY: Will the harbour bed be dredged when necessary?

Mr. BALCER: It changes nothing in connection with the works.

Mr. McNULTY: I was trying to get at the responsibility for maintenance; does the harbour bed come under this as well?

Mr. MANNING: Yes.

Mr. McNULTY: Now, could you tell me if under the seaway authority the same would apply in regard to Port Dalhousie?

Mr. MANNING: This is the seaway authority's business.

Mr. McNULTY: I know, but does it not come under the jurisdiction of the department?

Mr. MANNING: It would be the same.

Mr. McNULTY: It would be the same responsibility.

Mr. ROCK: I notice here that mention is made of subdivisions in most of these cases and yet none of the members of this committee here has any plans for these subdivisions. What I find difficult to understand is how we can pass judgment on this Bill C-59 unless we have a guarantee that no private property which fronts these waters is affected. Suppose there are some private individuals who own land which touches the shore line close to these subdivisions and the harbour authorities fill in the water part of it and take over that frontage without any authority whatsoever or without the permission of these fronting proprietors; can you give us any guarantee that this will not be done in any case?

Mr. FORTIER: Private property within the limits of this harbours act is not affected.

Mr. ROCK: So that means that no private proprietor in the vicinity of all these harbours will be affected in any way whatsoever?

Mr. FORTIER: He does not lose the title which he had.

Mr. ROCK: Let us say he has no title, just frontage to the shore line. The harbour authority then wants to expand the harbour to that area and what they do is fill in the front of the property in the water and take over this area which he does not own.



Mr. FORTIER: His rights are protected under the Expropriation Act. One of the last sections of this act provides that no grant or lease by the crown of land in a public harbour will be affected by riparian rights.

Mr. ROCK: That is not very clear, Mr. Chairman. I would like you to answer yes or no. I think I would be better off if you answered either yes or no to my question.

Mr. MANNING: The riparian right of the owner of the upland from the water is not affected by this agreement because if the harbours board, as you suggested, were to fill in the land, this owner would lose his riparian rights so that he would be first expropriated before the harbours commission or the federal government could build.

Mr. ROCK: This proprietor often has to have a lease with the provincial authority concerning his rights. What I am asking is whether people who never thought of having any rights and yet whose land borders the shore line, without their having any rights to it whatsoever, are protected?

Mr. FORTIER: In the case of public harbours which are administered by the department, as well as in the case of public harbours which are administered by the harbours commissioners, when a party wants to lease or buy a water lot and the riparian rights are not held by the applicant, then the department usually insists on the consent of the owner before the application is granted.

Mr. WINCH: Or else they are expropriated?

Mr. FORTIER: If there is a right to expropriate.

Mr. LAMOUREUX: I understand the minister has received representations in favour of the inclusion of Port Maitland in the schedule. I wonder what is the position there and whether it has been considered. I may add that, according to the information I have, Port Maitland was a harbour of considerable dimension some years before confederation.

Mr. ELLIOTT: Port Maitland is part of the old Welland canal, Mr. Lamoureux, and as such would be dealt with as canals and lands pertaining to canals under that section of the British North America Act, which is different from the one being considered in this case.

Mr. LAMOUREUX: Are all the lands forming part of Port Maitland now federal lands?

Mr. ELLIOTT: Yes, and the purpose of the agreement is to determine where are the limits.

Mr. LAMOUREUX: If you can assure me that is the situation, I am sure my correspondent would be satisfied.

Mr. DRURY: I see that Hamilton is not included in this. Does the same principle apply here?

Mr. BALZER: It belonged to the city prior to confederation. The harbour of Hamilton was omitted from the list because pursuant to a pre-confederation statute the city of Hamilton had a good title to the bed and foreshore of the harbour. They had a special statute prior to confederation with Upper Canada.

Mr. LAMOUREUX: Is the list considered to be a final one as between the province and the federal authorities, or has the door been left open to re-open negotiations with a view to adding other harbours?

Mr. WINCH: Can I put it in another way: can we have the assurance from the minister and his colleagues that as a result of long negotiations between the federal government and the government of Ontario, all matters relative to harbour ownership which were in dispute have now been settled, and that this is a final settlement of all harbours that were in dispute on ownership?

Mr. LAMOUREUX: You are putting it in the opposite way.

Mr. WINCH: It is the same idea, and I am putting it this way so as to get an answer.

Mr. MANNING: If other property which is not included in this agreement is provincial property and the federal government wanted to extend a harbour in that direction, they would have to go to the province and secure a lease on a piece of water lot which they wanted to use for their harbour. If it is within the limits mentioned in this agreement, then the federal government has the authority to go ahead with the part that is left there because it becomes federal property.

Mr. WINCH: Can I put it in another way then? If this bill is passed as it is now before us, what happens to any other matters relative to Ontario harbours which are in dispute between Ontario and the government—and I am including certain authorities on the canals, the seaway, and so on? Is there anything still in dispute between the two governments?

Mr. MANNING: We are talking to the government of Ontario on the limits of some of the property on the Trent canal, as there is some doubt there concerning the provincial and federal properties.

Mr. WINCH: But that is not something to be included in this bill.

Mr. MANNING: No, this is another clause in the British North America Act.

Mr. LAMOUREUX: My point was perhaps slightly different, Mr. Chairman. What I have in mind is that during the many years that these negotiations were conducted and at the time the final draft agreement was reached, was it considered possible or necessary to amend the agreement at a future date to include additional harbours which might be overlooked at the time the agreement was signed.

Mr. MANNING: The answer is no; this would be final.

Mr. LEWIS: You can always amend an agreement if both parties agree. That is what Mr. Lamoureux asked, and I suppose that is the answer.

Mr. LAMOUREUX: The agreement has not yet been ratified by the provincial authorities.

Mr. BALCER: The agreement has been signed, but they have to pass a bill.

Mr. LAMOUREUX: It has not been ratified by the legislature.

Mr. BALCER: No.

Mr. LAMOUREUX: So it is possible the province may ask for a revision of the agreement.

Mr. BALCER: I do not think so. As I understand it, there was continuous discussion between the province of Ontario and the federal government about these titles to the water lots, and it was creating complications. So the two governments got together when their experts sat down and decided. They took this list of harbours where there was dispute, and they cleared up the various points. As far as Cornwall was concerned, there was no dispute.

Mr. LAMOUREUX: I am not thinking only of Cornwall. I find it difficult to accept the statement that this is a final agreement between the two parties and that there is no possibility of a revision, should it be found that perhaps other considerations might have been taken into account.

Mr. BALCER: You can always amend a bill with another bill; you can always come to an agreement to amend an agreement. These two parties can be asked to amend.

Mr. LAMOUREUX: You are answering differently from Mr. Manning.

Mr. MANNING: It was not proposed to re-open this agreement with the province of Ontario because, what has not been federal property becomes the

property of the province. Then the federal government can purchase, lease or expropriate it.

Mr. McNULTY: This bill has had second reading in the house.

Mr. BALCER: That is right.

Mr. McNULTY: Would it be possible to have furnished us a description of the seaway authority property at Port Dalhousie?

Mr. BALCER: I will make sure that the seaway authority gets this, but I do not know that it will be ready before the third reading. However, I will do my very best to get it for you. I do not want to intrude on your plan, but I wonder what relation there is, or what effect that would have in respect of Port Dalhousie? What does that have to do with this?

Mr. McNULTY: I am trying to determine the extent of the seaway authority property and whether it is as far back as we think it is in the harbour, or not.

Mr. BALCER: You have a perfect right to have that, but I do not see the relation of it to this bill.

Mr. McNULTY: I am trying to see whether this bill actually incorporates all the harbours that were public harbours in 1867.

Mr. BALCER: It does not.

Mr. McNULTY: I mean the active public harbours.

Mr. MANNING: There are a lot more public harbours in Ontario than these 27. I have not counted them, but there must be from 400 to 500.

Mr. WINCH: Only they are not in dispute.

Mr. MANNING: No.

Mr. BADANAI: I would like to ask Mr. Manning what led up to the necessity of negotiation with the province of Ontario about this agreement? What was the reason for it?

Mr. MANNING: It took a long time, because of the search for titles which was necessary in respect of the grants made by the province since confederation as well as the grants which might have been made by the federal crown. That is why it took so long to come to this agreement. Like any other agreement, it was made after many compromises which were not too clear to anybody.

Mr. BADANAI: You are satisfied that this agreement will answer the purpose?

Mr. MANNING: Yes.

Mr. BRADLEY: I am interested in cases where the harbour bottom is owned by the municipality such as at Hamilton. I take it that when the municipality owns its own harbour bottom and wants to go ahead and form a commission, it has no relationship to the Ontario government whatsoever. Is that right? I think the minister should answer my question.

Mr. BALCER: I am not clear about what you are asking? Would you please repeat your question?

Mr. BRADLEY: You said that Hamilton owned its own harbour bottom.

Mr. BALCER: Yes, they have a special statute of the government of Upper Canada at the time, and Hamilton owns the bed, the land under water, but it does not own the harbour.

Mr. BRADLEY: Could Hamilton form its own commission in relation to the federal government in order to run this harbour? Is that correct?

Mr. BALCER: I am informed that it is a federal harbour commission.

Mr. BRADLEY: That would be the procedure for any municipality to follow then, where the harbour bottom is owned by the municipality itself. They



would not go to the government of Ontario but to the federal government in order to form a commission.

Mr. FORTIER: The item in respect of navigation and shipping is one of the matters placed exclusively under federal jurisdiction in the British North America Act. The city of Hamilton owns the bed, but as far as controlling shipping and navigation within the harbour is concerned, that is still vested in the federal government.

Mr. LEWIS: Does that necessarily mean that the city could not build a harbour with federal jurisdiction having control over it?

Mr. MANNING: You still would have to have your works approved under the Navigable Waters and Protection Act.

Mr. LEWIS: I appreciate that, but that may not be the answer to the question, because theoretically the city could build a harbour, but its control, supervision, and regulation would then come under federal control with respect to shipping and navigation. But in practice as well as law, would the city go to the federal government or to the provincial government in respect of the building of a harbour?

Mr. FORTIER: The city could put on its property harbour facilities, being the owner of that property, but subject to the approval of the Department of Public Works.

Mr. BRADLEY: I take it the reason Cobourg harbour is not listed is that it has been firmly established that the municipality owns the harbour bottom.

Mr. MANNING: We are having a search of title made there, and from information we have received up to date, they do not own the bottom of the harbour.

Mr. BRADLEY: Would you mind telling me who does own it?

Mr. MANNING: We do not know yet. The matter is being studied at the present time.

Mr. BRADLEY: I am just as anxious as Mr. Lamoureux and other members of the committee to know if it is established. I do not know who owns the harbour bottom, but this is the point: suppose it is found that in 1867 the federal government owned the harbour bottom, then it does not come under this agreement, and if you consider this agreement as final, would you have another agreement made with respect to this act in order to clear it up? Is that correct?

Mr. MANNING: No, I do not think so; if it is the municipality that owns the harbour bottom, then the agreement would have to be made with the municipality; but if it is the province, then we can make an agreement for the works which belong to the federal crown. Otherwise the bottom belongs to the province, if it does not belong to the municipality or to private interests.

Mr. BRADLEY: Who owns the harbour bottom at Cobourg?

Mr. MANNING: We are searching titles at present to find out who owns it. We do not know yet at Cobourg.

Mr. ROCK: Mr. Chairman, at this moment it is the federal government which owns and operates all these harbours mentioned in this bill, and all they want to do is ratify the agreement which was never ratified in the past.

Mr. BALZER: Yes.

Mr. ROCK: And at this moment every one of these harbours is operated and comes under the jurisdiction of the federal Department of Transport.

Mr. MANNING: That is right. There are a good many others.

Mr. ROCK: I mean the ones shown here. They all come right under your jurisdiction.

Mr. MANNING: Yes. This is just to settle the ownership of the water lots between the high water line and the limits indicated here.

Mr. ROCK: The federal government more or less controls all these harbours and operates them.

Mr. MANNING: They control all the harbours; these and all the others.

Mr. BRADLEY: I propose, Mr. Chairman, that you call the clauses.

Mr. McNULTY: In respect of the harbours included in this bill and those under the seaway authority, when there is an accumulation of silt in the harbour which makes it shallow and dangerous to recognized boats in the area, whether pleasure craft, seaplanes, and so on, is it the responsibility of the local authorities?

Mr. FORTIER: This is a matter which comes under the purview of the Department of Public Works. To the extent that money is voted each year for dredging purposes in the various harbours, I expect the dredging would be done.

Mr. McNULTY: Whose responsibility would it be if it were proven that such a thing were dangerous to navigation; would it be the Department of Transport, the seaway authority, or the Department of Public Works?

Mr. FORTIER: It would not be the Department of Transport's responsibility because the department does not look after dredging. It would be a matter either for the seaway or the Department of Public Works. There would be another question; that is, whether there is a legal obligation on the part of the crown to undertake any dredging operations.

Mr. McNULTY: Provided you are under the jurisdiction.

Mr. FORTIER: It might be doubtful. If there is an obstruction in a harbour or navigable water, ordinarily the obligation is vested in the crown to clear the obstruction.

Mr. LAMOUREUX: Going back to the matter of Cobourg, Mr. Manning has stated it is a question of ownership of the water lots and he says the titles are being searched. What will happen if it is ascertained later on that the water lots are the property of the federal government?

Mr. FORTIER: I cannot tell you this in advance.

Mr. DRURY: I think the members should understand that this is a bill which is ratifying a bargain between the two governments. If the members like the bargain, they should agree, and if they do not like it they should say so.

Mr. LAMOUREUX: I do not like the bargain.

Mr. DRURY: In so far as Cobourg is concerned, it does not matter who subsequently is discovered to have the title, whether the province or a private individual.

Mr. FORTIER: No. This has to be settled. We are searching the titles in Cobourg to find out who owns what. There is some controversy between the town and the federal government, not the provincial government.

Mr. DRURY: If it is discovered that the title vests in the federal government, in this agreement you have deeded it over to the province of Ontario.

Mr. FORTIER: Yes, exactly.

Mr. DRURY: Therefore, so far as the federal government is concerned at the present time it is irrelevant?

Mr. FORTIER: Yes.

Mr. LEWIS: I do not see anything in this bill saying that this land has been deeded over to the province of Ontario.

Mr. DRURY: I might refer Mr. Lamoureux to clause 2 on page 2 of the bill. It is 2(b):

Subject to clause 4 of this agreement, all ungranted lands not within any harbour as described in schedule A to this agreement belong to Her Majesty in right of Ontario.

That is quite clear.

Mr. TURNER: I do not think Mr. Lamoureux is referring to the bargaining so much as the minister's inaccurate assessment of history. As I understand it, it is Mr. Lamoureux's contention that Cornwall was a public harbour in 1867 and the ministers' researchers have reached the opposite conclusion. I for one am perfectly willing to abide by Mr. Lamoureux's historical assessment of his own constituency.

Mr. FORTIER: May I read from the Canada Shipping Act. There is a definition of public harbour which reads as follows:

"Public harbour" means any public harbour on the first day of August, 1936, and any harbour proclaimed a public harbour pursuant to this act.

So, it does not mean that Cornwall is not a public harbour, but it could be made one by order in council tomorrow, according to the act. Any harbour which is built by the Department of Public Works of the federal government is a public harbour too, but not according to the Canada Shipping Act until it has been proclaimed for the use of the public.

The CHAIRMAN: Are there any further questions?

Clauses 1, 2 and 3 agreed to.

The CHAIRMAN: In the schedule there is a typographical error. In the first line it says:

This agreement made the 26th day of September, one thousand nine hundred and sixty-one.

It should be one thousand nine hundred and sixty-two.

The CHAIRMAN: Shall the schedule carry?

Agreed to.

The CHAIRMAN: Shall the title carry?

Agreed to.

The CHAIRMAN: Shall the bill carry?

Agreed to.

The CHAIRMAN: Shall I report the bill?

Agreed to.

The CHAIRMAN: This being all the business before this committee at the present time, I hope you have a pleasant Christmas.







OFFICIAL REPORT OF PROCEEDINGS AND EVIDENCE

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